

4.0 Description of SDU Business Solution

The purpose of this section is to define the Child Support Program (CSP) Business Problems in the context of the State Disbursement Unit (SDU). It presents the statewide system Conceptual Architecture that places the SDU services in context with the Child Support Enforcement (CSE) System and it also provides an overview of the SDU services specified as statements of work (SOW) in the RFP Section 6 SDU Statements of Work.

This section also describes a two-phase approach to implementation of the California Child Support Automated System (CCSAS). Version 1 is the initial implementation phase. The consortia systems continue to perform many IV-D case and case accounting functions at this stage. CSE performs Non IV-D related functions and IV-D allocation. Version 2 is the complete implementation of the integrated statewide system with CSE performing all case and accounting functions. The differences between the two versions are described in the RFP Section 4.3.2 CCSAS Version 1. The implementation approach is described in the RFP Section 4.5 CCSAS Implementation.

4.1 Overview of CCSAS Business Solution

RFP Section 1 Introduction for the California Child Support Automation System – State Disbursement Unit describes the California legislation that established the CCSAS Project. The mandated objective of the CCSAS Project is to develop, implement, operate and maintain a single statewide child support system, referred to as CCSAS. The Department of Child Support Services (DCSS), in consultation with the FTB, has defined five Business Problems that must be solved by the CCSAS. These five Business Problems reflect the business needs of California's CSP.

- 1) **Certification:** The State is not in compliance with the automated systems Statements of Work of the Family Support Act of 1988 (FSA '88) and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA).
- 2) **Worker Effectiveness:** Worker effectiveness and accountability is constrained by the lack of timely, adequate and accurate data; the lack of uniformity; and limited system functionality and automation.
- 3) **Customer Service:** Customer service is constrained by the lack of timely, adequate, accurate, and accessible data; clear and understandable communication of information; lack of uniformity; and limited system functionality and automation.
- 4) **Maintainability:** System maintainability is constrained by disparate systems, inadequate documentation, the lack of open system architecture, and business changes.
- 5) **Implementation:** Implementation of the new system is constrained by disparate systems, complex business rules, number of locations, and changes in the way of doing business.

The business vision of the Department of Child Support Services is to maximize automation and electronic processes for collections and disbursements of child support payments and records management. DCSS wants to build good business relationships with the employer community, other states, and the families of California who are our customers.

It is critical that customers of the Child Support Program receive timely and accurate child support payments. To this end the Department has established a strategic goal to ensure that no more than one percent of total collections due to parents and families are undistributed at any time. This goal will require ongoing efforts to quickly and accurately identify payments, to make sure that disbursements are properly routed, and to maximize the use of electronic means of collection and payment.

The Statements of Work and the CDLs in this RFP require methods of electronic payment processing and strongly urge the SP to think in terms of maximizing electronic processes in managing records, processing collections and in disbursing the child support collections. These processes include but are not limited to imaging, web processing, wire transfers, EFT, credit card payments, direct withdrawals for collections, electronic payment cards (EPC) and direct deposit for disbursements.

In order for the State to realize a comprehensive, coherent, and consistent solution to the Business Problems, the State, the CSE Business Partner (BP) and SDU Service Provider (SP) must work collaboratively to implement and operate CCSAS. Table 4-1 summarizes CSE BP and the SDU SP responsibilities with respect to solving the five Business Problems; Table 4-1 is not a comprehensive list of CSE BP and SDU SP responsibilities, but rather is intended to contrast selected CSE and SDU responsibilities.

CSE BP responsibilities encompass development, delivery and operation of the CSE system and related project, technical and implementation management services. SDU SP responsibilities encompass collection and disbursement services and related operations and implementation management services. These SDU SP responsibilities are described in the RFP Section 4.6 Description of SDU Services and defined in RFP Section 6 SDU Statements of Work.

Table 4-1 – Summary of CSE BP and SDU SP Responsibilities

Business Problem	CSE BP Responsibilities	SDU SP Responsibilities
Certification	<ul style="list-style-type: none"> • Provide assistance to the State in planning and conducting ACF certification reviews • Resolve certification review issues • Develop CSE system that, in conjunction with SDU, meets certification requirements • Working in conjunction with the SDU, meet the federal requirement to disburse payments within 2 days of receipt 	<ul style="list-style-type: none"> • Provide assistance to the State in planning and conducting ACF certification reviews • Resolve certification review issues • Provide services that, in conjunction with CSE, meet certification requirements • Working in conjunction with the CSE, meet the federal requirement to disburse payments within 2 days of receipt

Business Problem	CSE BP Responsibilities	SDU SP Responsibilities
Worker Effectiveness	<ul style="list-style-type: none"> • Provide caseworker access to standardized, statewide data • Automate workflow • Provide self-service capabilities to CSP partners such as process servers and genetic testing labs • Develop and execute User Training Program • Provide positive payment identification • Provide accurate and complete disbursement instructions to SDU 	<ul style="list-style-type: none"> • Provide DCSS and LCSA staff online access to imaged payment information • Automate collection and disbursement processes to the maximum extent possible • Provide accurate collection and disbursement data capture • Establish and maintain operational processes and procedures that assure quality and safeguard CSP financial assets • Provide collections services consistent with CSE data requirements • Provide staff resources to perform unidentified payment and undistributed collections research • Disburse payments consistent with CSE, ARS and CASES disbursement instructions •
Customer Service	<ul style="list-style-type: none"> • Conduct Customer Service Support Center (CSSC) Assessment and implement the CSSC • Develop Customer Service Support Center Plan • Provide self-service capabilities to customers: <ul style="list-style-type: none"> ○ Access to case and payment status ○ Access to CSP 	<ul style="list-style-type: none"> • Provide CSSC staff online access to imaged payment information • Process requests to commence or terminate electronic payments or disbursements • Provide a Help Desk to assist employers, CPs, NCPs, other states and

Business Problem	CSE BP Responsibilities	SDU SP Responsibilities
	<p>information</p> <ul style="list-style-type: none"> ○ Ability to make web-based payments via automatic deposit of child support payments or automatic account withdrawals to pay child support obligations 	<p>LCSAs with electronic payment and disbursement processing questions and problems for Version 1 and 2</p> <ul style="list-style-type: none"> • Provide direct deposit and EPC disbursement program for CPs • Provide online access to EPC statements • Provide Customer Service Center for Non IV-D CPs and NCPs and transition to CSSC • Prior to the CSE website being made available, provide the capability for an obligor to initiate and submit payments to the SDU via web based interface.
Maintainability	<ul style="list-style-type: none"> • Provide a well designed system that implements architecture best practices • Design and develop interfaces that accommodate a variety of communication techniques • Conduct and participate in change control meetings • Develop and implement problem resolution management program • Provide a comprehensive set of documentation to: <ul style="list-style-type: none"> ○ Define the requirements and design of the CSE system ○ Describe how to operate the system 	<ul style="list-style-type: none"> • Provide a scalable solution that meets peak demands and supports program growth • Provide sustainable operations and services • Comply with NACHA and EFT/EDI standards • Participate in change control meetings • Establish problem resolution mechanisms • Ensure a smooth transition to any succeeding SDU service provider
Implementation	<ul style="list-style-type: none"> • Develop and implement a phased implementation 	<ul style="list-style-type: none"> • Prepare and maintain SDU implementation

Business Problem	CSE BP Responsibilities	SDU SP Responsibilities
	<p>approach with opportunities for early business benefits and that minimizes disruption to CSP operations</p> <ul style="list-style-type: none"> • Develop orientation and training plans to prepare users • Develop outreach plans to prepare customers impacted by the implementation of the new system • Provide outreach services consistent with CSE plans and CSP direction • Conduct business process transition planning • Convert data to single statewide database • Develop and implement legacy data archive • Prepare and implement CSE/SDU Interface Design Description (IDD) • Prepare and implement the ARS and CASES Functional Requirements Design Documents (FRDDs) 	<p>schedule that meets CCSAS implementation timeframes</p> <ul style="list-style-type: none"> • Participate in CCSAS project management processes • Conduct and participate in interface definition meetings • Participate in business process transition planning and execution • Conduct and participate in interface and CCSAS integration testing • Provide orientation planning and support to transition local operations to centralized operations consistent with CSE plans and CSP direction • Review CSE work-in-progress and recommend updates to delivered plans and interface documents to assure consistency with SDU implementation and operational approaches • Implement SDU services in accordance with the SDU Business Process Transition Plan • Implement SDU services consistent with the State's implementation strategy and approach, CSE System and CSE Project Schedule • Provide outreach for

Business Problem	CSE BP Responsibilities	SDU SP Responsibilities
		<p>IV-D and Non IV-D CPs, NCPs and employers to transition them to SDU and prepare them for the changes</p> <ul style="list-style-type: none">• Provide the activities/outreach services necessary for the redirection of employer and NCP IV-D and Non IV-D payments• Meet electronic payment and disbursements goals

As indicated by Table 4-1, the SDU SP responsibilities for solving the five Business Problems complement CSE BP responsibilities. The CSE BP is responsible for solving all five Business Problems with the SDU SP directly contributing to solving the Certification and Implementation Business Problems and supporting the CSE solution to Worker Effectiveness, Customer Service and Maintainability.

4.2 Conceptual Architectural Overview

CCSAS is the single integrated statewide automated solution for the delivery of child support services in California. The CCSAS Conceptual Architecture represents the essential child support service components integrated into a fully implemented complete solution. These components and services are grouped into Child Support Enforcement (CSE) and the SDU. Neither the CSE nor SDU can be fully understood without an understanding of the overall CCSAS conceptual view.

The CCSAS Conceptual Architecture is a set of best practices, principles, standards, guidelines, rules, models, and definitions that guide the planning, acquiring, building and modifying of a child support system that meets the needs of California's Child Support Program and the DCSS. Architecture provides a framework for aligning ongoing planning and implementation efforts with the changing needs of the DCSS while maintaining systems integrity. A well architected solution is essential if California is to address all of the Business Problems associated with providing child support services in this State while remaining adaptable to change.

4.2.1 CSE component of CCSAS

The CCSAS Conceptual Architecture was articulated in the CSE Solicitation for Conceptual Proposal (SCP) as a viewpoint that integrates the CSE and SDU. The architecture sections and exhibits of the CSE SCP should be reviewed in order to provide the proper context for the SDU service. The CSE SCP is located in the Procurement Library. The Procurement Library and contact information can be found in RFP Section 1.2 Procurement Library. The principle references in the CSE SCP document are shown in Table 4-2 below.

Table 4-2 –CSE SCP References

Topic	Section	Exhibit	Content
Conceptual Architecture	3.6.1	Exhibit 3C and (web-site url)	The articulation of process, data, and design objectives at a conceptual level with an emphasis on services, boundaries and the importance of data
Data and Conceptual Analysis	3.6.2	Exhibit 3B (Base Business Concepts)	Definitions for the core concepts of child support business independent of implementation considerations. Analysis of the logic of concepts foundational to child support.

Topic	Section	Exhibit	Content
Architecture Principles and Objectives	3.6.3	Exhibits 3K and 3L	The principles within the conceptual architecture are here defined to be those best practices (including policy, guidelines and standards) proven to repeatedly achieve the objectives of a good architecture. These best practices are shown in relationship to the Business Problems and Business and Technology Goals reflected in the CCSAS Project Charter.
CSE/SDU Boundaries	3.6.4	Exhibit 3C and (web-site url)	An articulation of the high-level functional scope of an SDU in contrast to that of the CSE.
Phased Transition of the CCSAS Project	3.6.5	Exhibit 3M	An exercise in the discovery of phasing opportunities and issues.

4.2.2 SDU Component of CCSAS

The SDU component of the CCSAS architecture is those fundamental services necessary for the completion of a single, integrated, statewide child support system in California. These essential services are:

- 1) Collection of child support (Banking, Data Capture and Data Perfection)
- 2) Disbursement of child support (with data capture of disbursement activity)

This section frames the conceptual boundary between the SDU and CSE as it relates to the essential services of collection and disbursement. As shown in Figure 4-1, the CSE positively identifies payments received from and processed by the SDU through multiple commerce channels, and the SDU processes disbursements through multiple commerce channels based on instructions received from the CSE. The responsibility and rules for the management and enforcement of support obligations lie with the CSE. The SDU is, in effect, another user of the CSE system for common informational services.

Conceptually, the interfaces between CSE and SDU are comprised of those exchanges of information suggested by the boundaries between CSE and SDU. At a design and engineering level, these interfaces represent information exchanges as impacted by CSP policy constraints, CSE solution design constraints, and SDU SP approaches. The CCSAS Architecture suggests that the data exchange formats are standardized and independent of the Version 1 and Version 2 phased implementation.

CCSAS Context for SDU Services

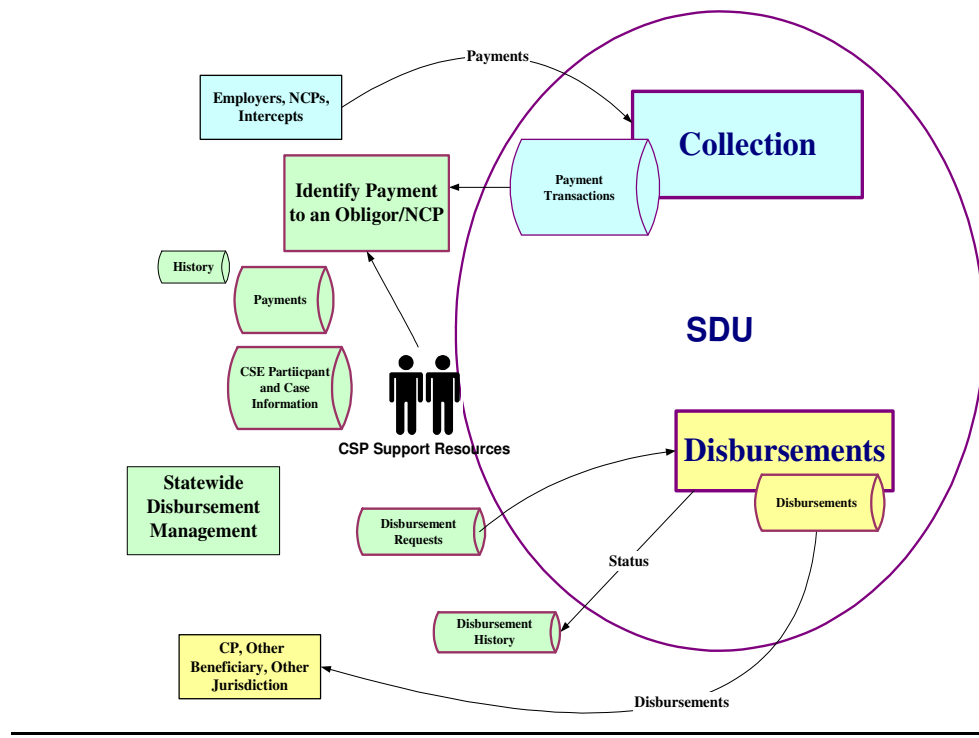


Figure 4-1 – SDU Component of CCSAS

The remainder of this subsection addresses the topics relevant to an understanding of the relationship of CSE to SDU and for the consideration and relevance of CCSAS architecture for the SDU procurement.

- 1) Positive Payment Identification and Data Perfection
- 2) Disbursements and Allocation/Distribution
- 3) Common Services
- 4) CCSAS Information and Conceptual Analysis
- 5) Obligation Management and Enforcement
- 6) Collection Commerce Channels

4.2.2.1 SDU Collections, Positive Payment Identification and Collection Services

There is a point in the process of applying collections to obligations in which the payment received must be positively identified with an obligor participant within the CSE system. The CSE system addresses the CSP Worker Effectiveness business problem (e.g., duplicate participants and disparate system rules for participant identification) by implementing a common business rule for the identification of a participant. These

common and centrally managed rules provide for CSE system information that is consistent and has integrity.

The CCSAS conceptual architecture identifies the CSE system as the owner of the information of record (e.g., member/participant, identified payments, case), and the owner of the business rules for participant identification. CSE information of record ownership also includes information for Non IV-D participants

The function of the SDU is to collect and bank child support obligation payments and to prepare collection payment transactions for processing and positive identification by the CSE system. Thus, with respect to payment identification, the SDU captures data and perfects transaction data for processing. Data Perfection refers primarily to the preparation of transaction data that meet the CSE minimum requirements for processing.

The planned use of CSE information to facilitate efficient data capture and perfection may be entirely appropriate for an SDU operation. The CCSAS architecture does not preclude CSE/SDU implementation strategies that exploit opportunities for efficiencies in data capture and data perfection as long as the 1) CSE ownership of rules and information is preserved, 2) SDU and CSE functional boundaries are preserved, and 3) the strategies are consistent with CSE Business Problems mitigations.

SDU Collection Services within CCSAS

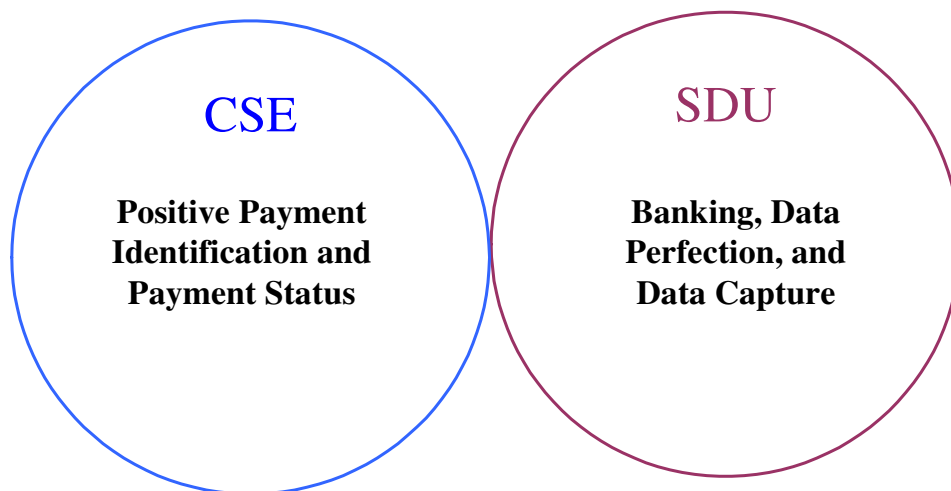


Figure 4-2 – SDU Collection Services

4.2.2.2 Disbursement Services

The SDU disburses child support payments. These discrete disbursements are generated by the SDU based on CSE instructions. These instructions result from the application of business rules for properly distributing collections. These rules for distribution (Federal, State, and DCSS specific policy) are owned and performed by CSE and operate on the core information of child support. This information includes participant, support obligation, payment history, financial accounts, and case/service request history.

The SDU owns the source information and maintains this information for disbursement status (Disbursement SOWs). The SDU shares disbursement status information with the CSE (Disbursement SOWs). The CSE integrates disbursement history information provided by the SDU within CSE source information to support comprehensive statewide business rules implementation and customer service support.

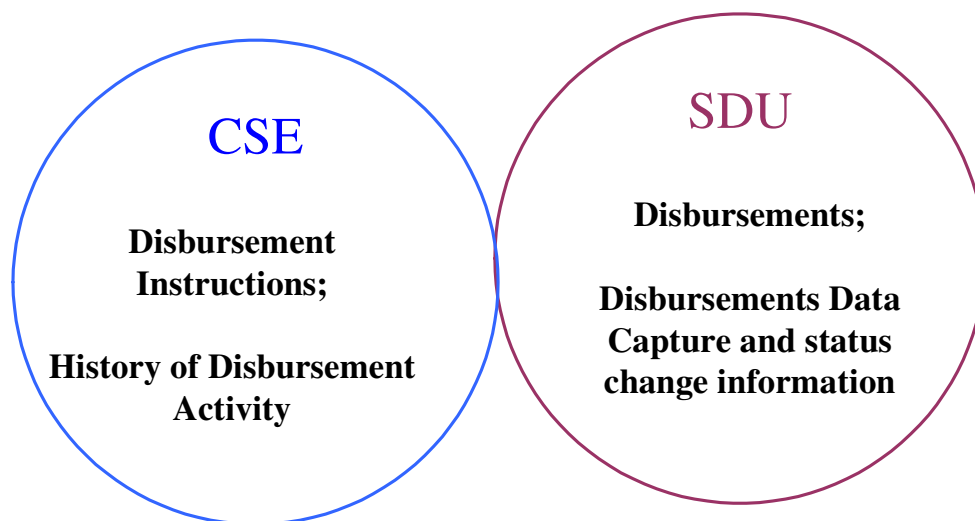


Figure 4-3 – SDU Disbursement Services

4.2.2.3 Common Services

The CCSAS architecture articulates engineering best practices that address the Business Problems and documents common information services architected for effective leveragability and system maintainability. The SDU, effectively, is one of many users of CSE information services. The services used, related to, and/or interacting with the SDU potentially include at least the following:

- 1) Demographics location services for better participant address information.
- 2) Participant name and/or address change requests
- 3) Participant requests for services or information
- 4) Payment information change
- 5) General information services

The CCSAS architecture supports CSE/SDU strategies for effective leveraging of CSE common services.

4.2.2.4 Electronic Collections, Disbursements and Goals

Automating collections will involve increasing the use of EFT/EDI for collections and decreasing the receipt of paper checks. The State's goal is to have all employers that are required to submit payments to FTB and/or EDD via EFT/EDI submit payments to the SDU using the same electronic method and to encourage those not required to also use EFT/EDI. Additionally, NCPs will have the option to set up automatic withdrawals from their bank account to pay their child support obligations, as well as pay their child support using a credit card. The State has established electronic processing goals and expects the SP to complete full implementation of a mandatory employer EFT/EDI program following the FTB/EDD model by January 1, 2006. Legislation is anticipated that would make this a requirement for CCSAS. Additionally, the SP must make special efforts to ensure payments among California and other states are received and disbursed electronically.

Automating disbursements will involve increasing the use of electronic payment methods and reducing dependency on paper checks. Although the majority of Child Support payees currently have mainstream banking relationships, many payees do not. For these "un-banked" payees, the goal is to encourage a banking relationship that results in direct deposit as the preferred and primary method of disbursement. For those payees that remain "un-banked", electronic payment cards (EPC) shall be the method of disbursement. The SP shall perform outreach to achieve electronic disbursement to all CPs, with limited exceptions, by December 31, 2007. Disbursement via paper checks will be on an exceptions basis only. The State will define exception rules.

4.2.2.5 CCSAS Data and Conceptual Analysis

The initial analysis of the core and foundational child support business concepts documented an observation of business service levels that is relevant to an understanding of the SDU.

Payment receipt and disbursement services support the greatest percentage of active participants in the child support program as compared to participants receiving IV-D services or requiring delinquent payment management. Notwithstanding a historical

use of “case” as a tracker of service requests, payment collection and disbursement services do not logically require IV-D legal services. This finding within the conceptual analysis of CCSAS architecture artifacts is of tremendous importance to any CSE/SDU strategy for payment receipt and disbursement due to the significant impact of Non IV-D wage assignments to be processed by the SDU.

4.2.2.6 Obligation Management and Enforcement

The SDU collects payments for support obligations. IV-D support service requests are processed within CSE system and result in court ordered obligations that are managed by CSE. The CSE solution addresses existing child support Business Problems in California through the implementation of common and comprehensive rules for management of support obligations using centralized information of the highest integrity. Full accounting for financial information, however, requires a comprehensive and coherent view of financial information that includes CSE and SDU areas of responsibility. At a more detailed level, this is exemplified by the processing of payments subsequently returned for insufficient funds, or disbursements unclaimed.

The CCSAS conceptual architecture identifies the CSE system as the owner of the information of record and business rules relevant to Child Support Program obligation management.

4.2.2.7 Commerce Channels

CCSAS goals and objectives strongly support helping the NCPs and the employers of child support obligors to meet their requirements and increasing efficiencies and cost effectiveness of child support collection and disbursement services. The SDU SP has a responsibility to provide outreach in accordance with CSE CDL TM 053 and SDU CDL IM 015 and shall work with the State, LCSAs and BP when planning and delivering the outreach. The outreach shall be provided to IV-D CPs and NCPs, Non IV-D CPs and NCPs and employers. Outreach also includes the initial and on-going activities necessary to support the redirection of payments from employers, other states and NCPs to the SDU. The SDU Operations Management SOWs further specify that the SP shall work with employers to achieve the State’s goal to have all employers that are required to submit payments to the SDU using the same electronic method and to encourage those not required to also use EFT/EDI. The SOWs also require the SP to work with NCPs to maximize the use of EFT/EDI, credit card and web-based payment methods for submitting payments. Additionally, the SDU SP works with CPs to implement the mandatory electronic disbursement methods.

4.3 CCSAS Operations Concept

This section describes the CCSAS operational concept as it pertains to the SDU essential business services of collection and disbursement and the interaction with the CSE to provide these services. RFP Section 4.2 Conceptual Architectural Overview provides the rationale for the operational approach contained within this section. The conceptual architecture defines the operational boundaries between the CSE and SDU that enable the CSP to provide comprehensive, integrated child support services.

There are two phases in the CCSAS implementation approach. During Version 1, the SDU for Non IV-D interfaces with the CSE to provide collection data, receive disbursement instructions and provide disbursement status. Additionally, SDU for IV-D interfaces with ARS and CASES to receive disbursement instructions and provide disbursement status and provides collection data for IV-D collections. During Version 2, the SDU interfaces directly with the single, centralized statewide CSE system. **The SDU must maintain and support both Version 1 and Version 2 interfaces simultaneously throughout the Version 2 roll-out period.**

RFP Section 4.3.1 Version 2 Collection and Disbursement Processing describe the operational concept of the single statewide system upon completion of the Version 2 rollout. RFP Section 4.3.2 CCSAS Version 1 describes the operational concept of the CCSAS Version 1. RFP Section 4.5.4 CCSAS Version 2 Implementation Activities presents the implementation activities and timeline for Version 1 and Version 2 such that the concepts described in earlier sections can be understood in relation to the implementation timeframes.

4.3.1 Version 2 Collection and Disbursement Processing

The California Child Support Program provides child support services to custodial parties (CPs) and noncustodial parents (NCPs). These services include:

- 1) Locating NCPs
- 2) Establishing paternity and court orders for support
- 3) Enforcing child and spousal support court orders
- 4) Collecting and disbursing child and spousal support payments
- 5) Providing customer service to IV-D and Non IV-D CPs and NCPs

Certain services, such as locating NCPs and enforcing child support orders are provided solely by the CSE, while collection and disbursement services rely on both the CSE and the SDU. This RFP solicits SDU essential business services to complete the CCSAS solution. SDU essential business services are:

- 1) Collections, including banking, data capture and data perfection
- 2) Disbursements, including data capture and disseminating payments

- 3) Help Desk services to assist employers, CPs, NCPs, other states to establish electronic payment and disbursement methods and respond to LCSA questions and problems

Figure 4-4 illustrates the CCSAS Version 2 essential SDU business services and places these services in the context of interactions with CSE and other entities.

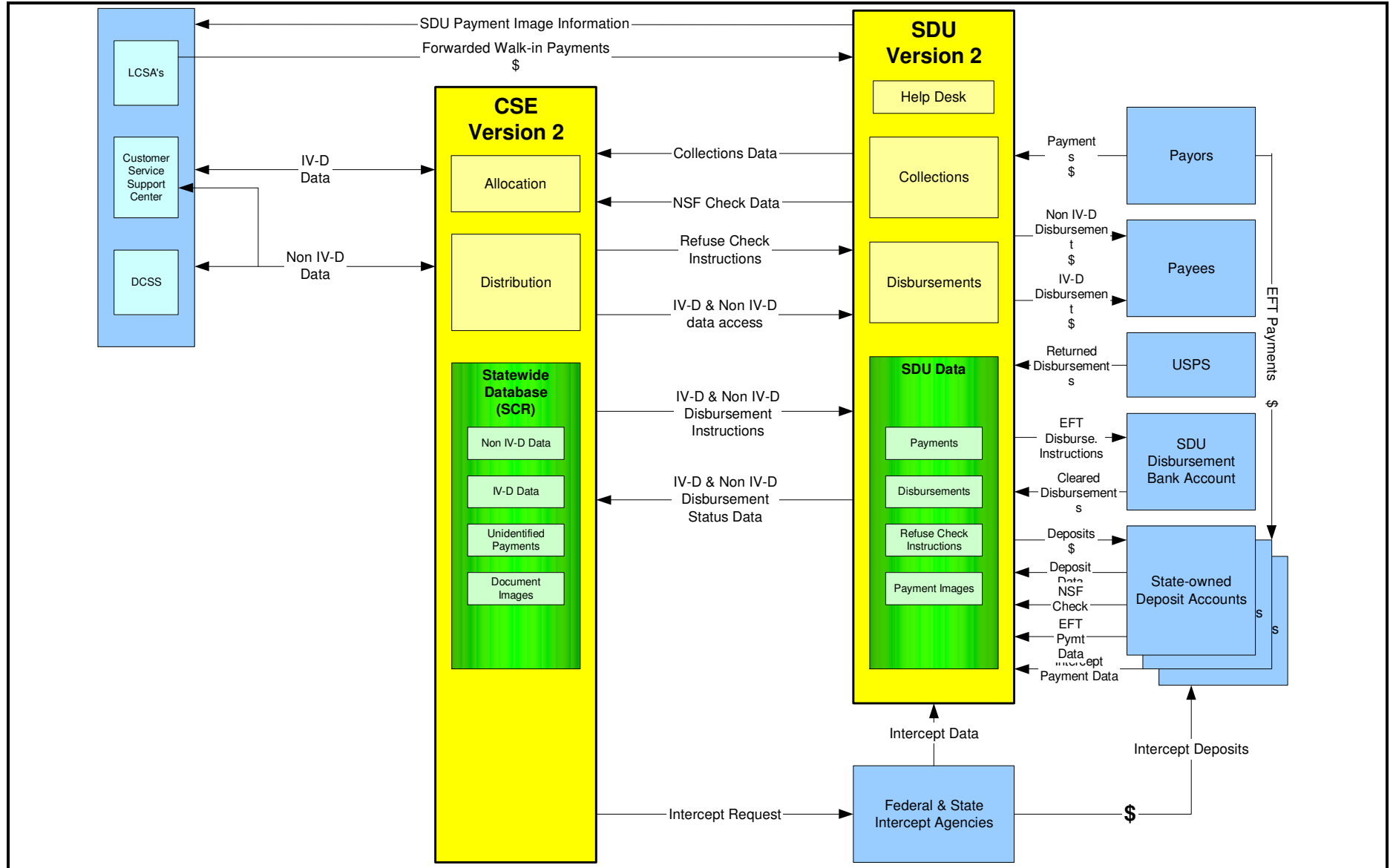


Figure 4-4 – Collection and Disbursement for CCSAS Version 2

The SDU receives collections from a variety of public and private sector sources (e.g. employers and federal and State intercept agencies) using a variety of methods. The SDU SP provides a Help Desk to assist employers, NCPs and other states in making electronic payments to the SDU; CPs in starting, changing or terminating electronic disbursement; and users to report problems accessing images of payment documents.

Entities that the SDU receives collections from include:

- 1) Employers, for IV-D and Non IV-D wage assignment payments
- 2) IV-D Noncustodial Parents, for any court ordered child support payments
- 3) California State Agencies, e.g. Employment Development Dept, Franchise Tax Board, for state intercept payments
- 4) Federal Financial Management System, for IRS intercept payments
- 5) Other state's State Disbursement Units, for interstate child support payments
- 6) Local Child Support Agencies, for walk-in payments

For walk-in payments received at the LCSA, the LCSA will receive the payment; provide the obligor with a walk-in receipt, and instructions to make all future payments to the SDU. All payments that are in the form of checks or money orders will be restrictively endorsed. All cash payments will be put in the LCSA revolving fund and a check will be written from the revolving fund to the SDU on behalf of the obligor. The LCSA will capture the information required by the SDU for payment processing and will attach it to each payment forwarded to the SDU. These payments will be sent in overnight mail directly to the SDU. When the payment and the accompanying data are received by the SDU, the SDU will assign a unique identifier to the payment as well as a secondary locally assigned identifier to the payment. Then the payments will follow the regular receipt process.

The SDU SP picks up mail, or arranges for delivery from the USPS¹ at pre-determined intervals such that all collections received can be processed the same day. SDU staff process the mail which includes imaging envelopes and their contents. The SDU SP makes these images of payment documents available on-line using the HHSDC network to authorized users to support customer service inquiries, and locate activities.

Using automated processes to the maximum extent possible, SDU staff captures all required data about the collection so that the CSE can positively identify the payment to an NCP and maintains the NCP's account. In the event that the payor does not provide the minimum or correct information necessary for CSE to identify the payment, SDU staff shall conduct research in order to obtain the missing or correct information. This includes instances when amounts paid are less than amounts indicated in supporting documentation. These exceptions shall be handled in accordance with State business rules. Research includes accessing images and the CSE to obtain the necessary

¹ To facilitate mail processing, reconciliation, and research, the State will establish USPS post office boxes for different collection sources, e.g. employers and other states.

information and/or contacting the payor to request additional information. Data capture requirements are described in RFP Section 6 SDU Statements of Work.

SDU operations staff reconciles payments at various points during the collections process, for example, to validate that bank deposit documents reconcile with processed payments. The SDU SP deposits the payments in accordance with the banking requirements specified in RFP Section 4.4 Banking Model and in the Statements of Work in RFP Section 6.

The SDU SP prepares and transmits collection transactions to the CSE as described in RFP Section 6 Statements of Work, and in accordance with the timeframes and data exchange requirements specified in the Version 2 CSE/SDU Interface Design Description (IDD). All child support payments received and processed by the SDU either by mail or electronically, whether or not sufficient identifying information is known, become collection transactions upon processing. The SP will need the capacity to process daily volumes of collections and associated disbursements that vary with payroll timing, holidays, and the timing of intercept payments. The SDU SP and CSE BP technical staff perform transmission audits to verify that the payment counts and amounts transmitted by the SDU were correctly received by the CSE. The successful collection transmission audit establishes the CSE collection baseline against which all CSP financial accounting will be made.

Upon verification of a successful collection transmission, the CSE positively identifies the payment to an NCP, allocates the payment across NCP accounts consistent with State business rules, distributes the payment to IV-D members in accordance with the business rules for distribution and prepares IV-D and Non IV-D disbursement instructions for the SDU. Similar to the collection transmission audit, the SDU SP and CSE BP technical staff perform transmission audits to verify that the disbursement instruction counts and amounts transmitted by the CSE were correctly received by the SDU.

The successful disbursement instruction transmission audit establishes the SDU disbursement instruction baseline against which all SDU disbursements will be made. CSE disbursement instructions include:

- 1) Payee identifying information, such as Name, Address, and CCSAS case and member identifier
- 2) Disbursement amount
- 3) Date and time of disbursement instructions
- 4) Method of disbursement, e.g. direct deposit, check, or Electronic Payment Card
- 5) Remittance advice information

Generally, the SDU sends disbursements to:

- 1) Non IV-D Custodial Parties
- 2) IV-D Custodial Parties, including foster care providers

- 3) Other state's State Disbursement Units, for interstate child support payments
- 4) County Treasurer's Office (monthly) for county share of welfare reimbursement as required
- 5) NCPs and employers when refunds are required

Upon verification of a successful disbursement instruction transmission, the SDU SP disburses child support payments such that the federal two business day timeframe is met. The SDU SP captures data about the disbursement and provides the results of executing the disbursement instructions to the CSE. This data supports disbursement reconciliation and customer service inquiries and includes:

- 1) Amount disbursed
- 2) Method of disbursement
- 3) Date and time of disbursement
- 4) Recipient
- 5) Transaction or check number
- 6) Disbursement disposition status such as cleared or voided
- 7) Disbursement disposition date

During the processing of collections and disbursements, the SDU SP implements control mechanisms to safeguard assets. These control mechanisms² include:

- 1) Proper authorization of transactions and activities.
- 2) Segregation of duties to reduce the opportunities to perpetrate and conceal errors or irregularities, such as assigning different people to the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets.
- 3) Design and use of adequate documents and records to help ensure the proper recording of transactions and events.
- 4) Adequate safeguards over access to and use of assets and records, such as secured facilities and authorization for access to computer programs and data files.
- 5) Independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, periodic reports that summarize the detail of account balances, and user review of computer-generated reports.

The SDU SP implements quality assurance methods to assure that control mechanisms are in place and in use. The SDU SP conducts internal audits and reports findings to the State. The SDU SP supports State conducted audits by providing access to information and staff. The SDU SP also contracts for an independent audit annually. The SDU SP corrects audit findings and prepares Corrective Action Plans as needed. The State Controller's Office (SCO) will receive a copy of the audit and Corrective Action Plan.

² Text adapted from ACF Dear Colleague Letter (DCL) 02-06 Guide for Auditing State Disbursement Units

During collection and disbursement processing, SDU staff electronically captures and maintains data for reporting purposes and customer service inquiries. The SDU SP reporting solution provides the ability to produce standard, customized and ad-hoc reports of both summary and detailed data.

4.3.1.1 Exception Processing

The CCSAS architecture describes the CSE and SDU interdependencies to providing timely collection and disbursement services. To minimize the risk introduced by these interdependencies, it is critical that the CSE BP and SDU SP cooperate and collaborate in developing an integrated approach to providing collection and disbursement services. Exceptions to routine collection and disbursement processes can affect the quality of the service provided by the CSP to its customers and are particularly important in the development of an integrated approach. Collection and disbursement processing exceptions include:

- 1) Payments received from payors after receiving an NSF flag from CSE with a history of nonsufficient funds payments
- 2) Returned disbursements, including paper checks, EPCs, and failed direct deposits
- 3) Lost, stolen, or damaged disbursements
- 4) Stale dated checks
- 5) Nonsufficient funds (NSFs)
- 6) Counterfeits
- 7) Forgeries

Payor payments that fail to clear, for example, nonsufficient funds (NSFs) payments, have a dramatic effect on CSP financial accounting, which is compounded when the NSF is an employer payment. Not only does the payor account need to be adjusted, the CSP must cover the funds disbursed to the payee until those funds can be recovered. The CSE maintains a list of payors who have submitted NSF checks and provides instructions to the SDU to refuse checks from these payors.

When disbursements (paper checks, EPC or direct deposits) are returned as undeliverable, the SDU SP voids the disbursement, images the voided instrument (if applicable), and notifies CSE that the disbursement was returned and voided. The CSP, through manual and automated processes, attempts to locate the payee for six months after which time the payment is returned to the payor. If the payee is located, the CSE issues new disbursement instructions to the SDU. This approach provides the ability to keep the balance of undistributed collections owed to families at the Service Level Objective of no more than 1% of the annual total of distributed collections.

Checks reported as lost, stolen or damaged will be voided or cancelled on the CSE. The CSE will provide voided and cancelled check status information to the SDU to allow the SDU to reconcile its disbursement records. If a replacement check should be

issued, the CSE will provide new disbursement instructions to the SDU. The CSE monitors checks that have not been reported as cleared by the SDU. The CSE contains the business rules for determining when uncleared checks have become stale dated. The CSE will issue instructions to the SDU to “Cancel” on stale dated checks.

4.3.1.2 Researching Unidentified Payments

The SDU reports all collections to the CSE on the day the payments are deposited regardless of whether sufficient identifying information is provided. If the CSE can not identify a payment, the payment will be suspended in an “unidentified” status. The SDU must perform additional research on the unidentified payments that are not pre-existing at the point of SDU implementation as illustrated in Figure 4-5 Unidentified Payments Processing. The LCSAs will generally continue to work the pre-existing workloads.

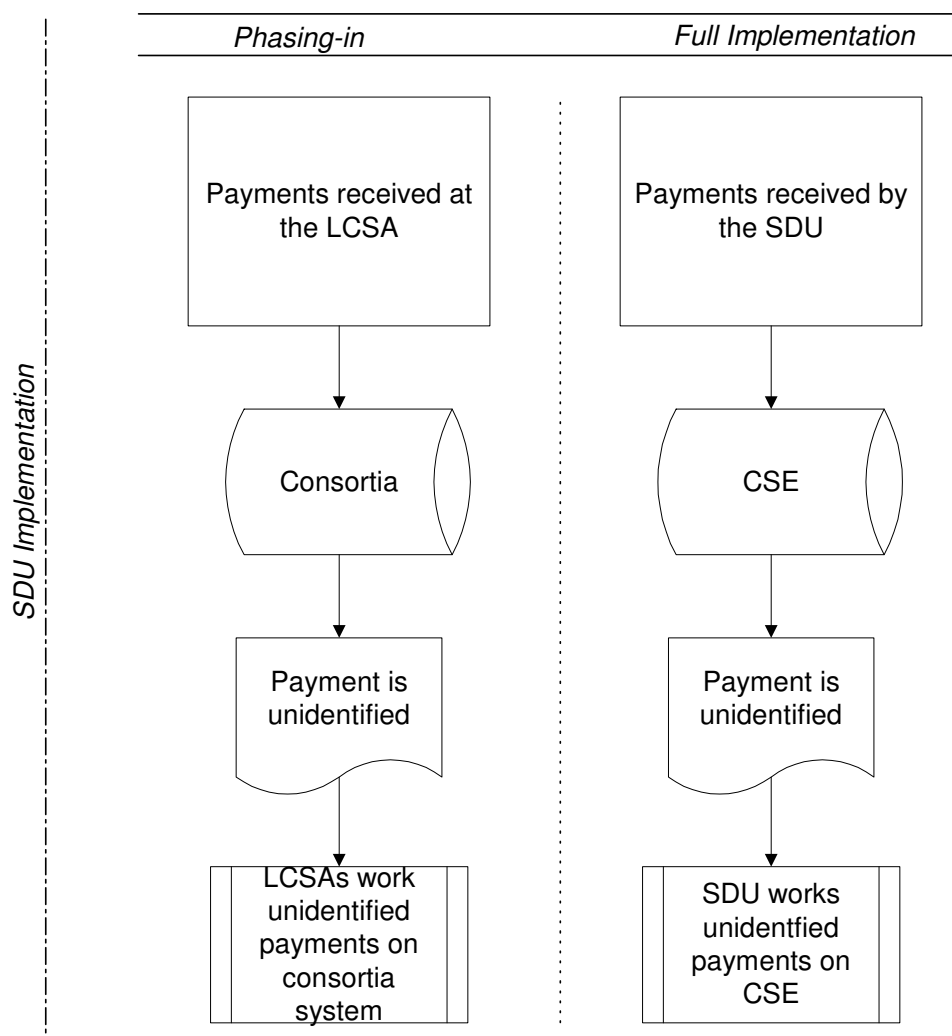


Figure 4-5 Unidentified Payments Processing

The CSE provides the functionality to manage the workload of unidentified payments requiring research, for both payments sent to CSE without sufficient identifying information or those later determined by the CSE payment identification process to be unidentifiable to a known NCP. The SDU staff research unidentified payments using the CSE provided functionality to update the payment data and release the payment for routine payment processing.

The SDU SP will have access to functionality within CSE to research, update information about, add narratives about work in progress, and finally, release into the distribution stream, previously unidentified payments.

Researching payments should at a minimum involve the following activities (as appropriate):

- 1) Research the images of the payment and associated documents for identifying information.
- 2) Researching the CSE for:
 - a) Numbers or transposition of numbers on court orders, SSNs, participant numbers, and case numbers
 - b) Name matches and relationships between names
 - c) A link between the employer and employees involved in withholding
 - d) Locate information
- 3) Making telephone calls to seek information from:
 - a) The employer
 - b) The check writer
 - c) The account owner (for direct deposits)
 - d) The bank on which the check was written
 - e) Neighbors located through cross reference data sources such as the Haines Directory
- 4) Writing to the persons who could not be reached by telephone
- 5) Updating the unidentified record or automated case history about the work performed
- 6) Releasing payments with sufficient information into the distribution stream using CSE business rules and functionality
- 7) Searching the world wide web(www) for information as necessary and appropriate

Researching payments when money has arrived before a Non IV-D case has been set up may involve activities (as appropriate) such as:

- 1) Obtaining information from the employer or the courts about the payor, the payee, the children, and about the court order
- 2) Contacting the CP and/or the NCP to supplement information provided by the employer
- 3) Entering information into CSE System
- 4) Noticing the CP and NCP of the information entered into the CSE System

- 5) Updating the unidentified record or automated case history about the work performed
- 6) Releasing payments with newly set up cases into the distribution stream using CSE business rules and functionality

This approach provides the ability to keep the unidentified collections portion of undistributed collections low enough to support the Service Level Objective of no more than 1% of the annual total of distributed collections owed to families.

Payment information may also be updated as a result of customer service activities or through automated locate functions. The CSE BP and SDU SP work together to provide system functionality and procedures to guard against the duplication of effort in resolving unidentified payments. Similarly, the State works with the LCSAs and the SDU SP to ensure the appropriate assignment of work.

4.3.1.3 Customer Service and Outreach Support

The State will establish a Customer Service Support Center (CSSC) for Version 2. The CSSC will be the point of contact for inquiries from all employers, other states and customers. Prior to the CSSC, the SDU SP must provide a Non IV-D Customer Service Center that includes a toll-free number. Within 6 months of CSSC operation, the SDU SP will transfer the Non IV-D customer services, and the toll-free number, to the CSSC.

The SDU SP must provide and continue to maintain an SDU Help Desk to receive call referrals from the CSSC including the IVR and provide customer service in the following areas:

- 1) Methods for submitting payments to the SDU electronically
- 2) Methods for receiving disbursements from the SDU electronically
- 3) Approval and processing of authorization and termination requests to commence or stop electronic payments and electronic disbursements
- 4) Interstate transmission of payments
- 5) Technical problems submitting payments or receiving disbursements
- 6) Online access of payment images by authorized CSP users

Once the CSSC is fully implemented, the CSSC will be a customer's initial point of contact. The SDU Help Desk does not need to provide toll-free caller access after full implementation of CSSC. It is envisioned that customer access is through a single point of contact with automatic routing capabilities to services such as Help Desk support.

SDU must perform general outreach and print and issue materials to inform employers, NCPs and CPs about the pending SDU changes and to prepare them for transition to SDU. Additionally, the SDU SP must perform focused outreach to:

- 1) CPs to ensure that all CPs receive disbursements by direct deposit or EPC consistent with State goals, with limited exceptions,

- 2) Employers to:
 - a. Achieve the State's goal of having employers that are required to submit payments by EFT/EDI to FTB and/or EDD also submit child support wage withholding by EFT/EDI
 - b. Encourage use of electronic processes for payments from all employers, regardless of whether or not they are required to submit payments to FTB and/or EDD via EFT/EDI
 - c. Redirect IV-D and Non IV-D payments to the SDU
- 3) NCPs to redirect IV-D non-wage withholding payments to the SDU and to encourage NCP use of electronic processes for payments.
- 4) Non IV-D CPs and NCPs to inform them of their case and member IDs and how to obtain payment information or receive answers to questions.

The minimum outreach efforts required are described in RFP Section 6 SDU Statements of Work. The print capabilities required to support the production of outreach materials including redirection notices shall be provided and maintained for Version 1. All outreach shall be coordinated with the CSE BP and CSP.

4.3.1.4 Version 2 CCSAS Network

Figure 4-6 depicts the Version 2 CCSAS network. The CSE and SDU, including the Help Desk and the Non IV-D Customer Service Center, are points of presence on the State provided wide area network (WAN). The WAN provides connectivity between user sites, the CSSC, training centers and the CSE data center located at the central site. The SDU SP is required to use this WAN to exchange data with CSE and provide online access to imaged payment information. The State will be responsible for establishing a WAN Point of Presence at the SDU facility but not for the back up facility or any other facility located outside the SDU single site facility. The SDU SP shall be responsible for SDU network connections to the WAN Point of Presence. The SDU SP must encrypt any data transmitted outside the SDU facility by means other than the WAN.

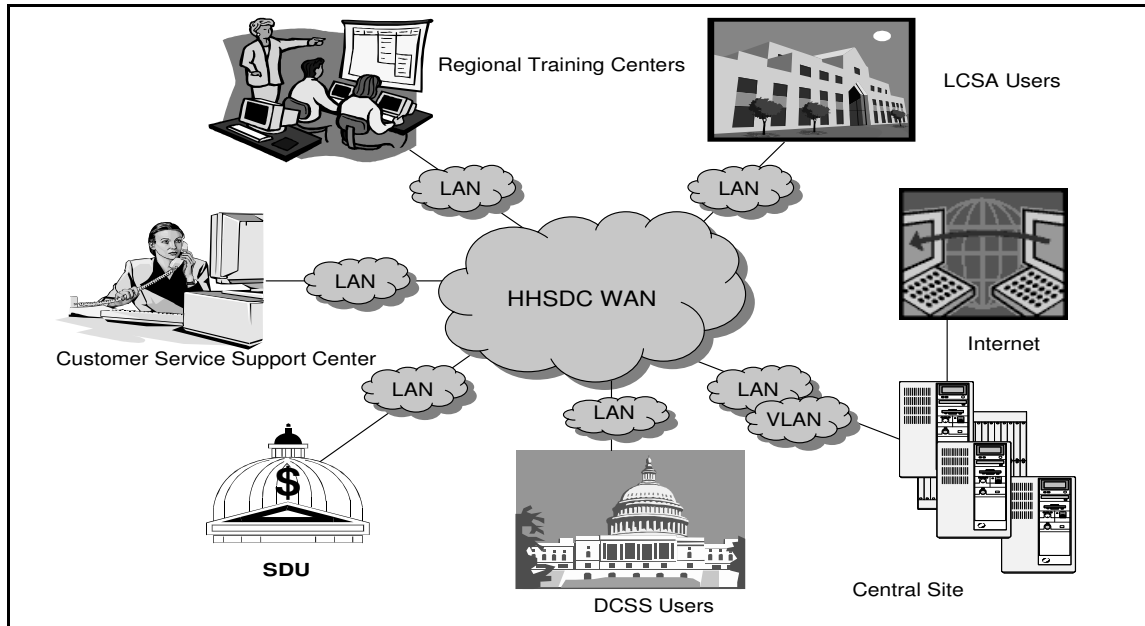


Figure 4-6 – CCSAS Network

To exchange data with external agencies including the SDU, the CSE solution incorporates the use of eAI³ (Enterprise Application Integration) integration bus, a set of technology services and a common framework for sharing data and workflows across disparate systems. The CSE solution uses XML as a common message format and provides converters and tools to transform to and from XML to accommodate different formats, such as comma-delimited or fixed-length. The CSE common messaging framework provides four major functions:

- 1) Communications middleware – provides network-based locations (queues) where applications can place data for the purpose of communicating with other processes
- 2) Application connectivity – provides logic on how and when to communicate with applications outside of the eAI space
- 3) Transformation and formatting – provides logic on how data should be validated, formatted, and transformed
- 4) Business process management – provides logic to support communication with other enterprises using standard communications protocols and data formats (e.g., EDI, XML, SOAP)

The CSE solution supports the exchange of information on demand and allows for the continual streaming of data. Specifically, the CSE solution supports the receipt and processing of interface files from the SDU on demand and the sending of interface files to the SDU throughout the day. In doing so, the CSE application and SDU are better positioned to meet the federal requirement that collections must be disbursed within two business days of receipt. However, the CSE application also supports the scheduled exchange of data with the SDU, in the event the SDU bidder uses an existing commercial capability that cannot exchange data on demand.

To support data integrity, the CSE uses industry standard safeguards to confirm the accuracy of data received and processed through the SDU interface. This includes check summing, check digits, and transaction locking and integrity. SDU and external system interface reconciliation-processing checks and validates:

- 1) The completeness of transactions
- 2) The usage of correct data element fields and names
- 3) The usage of correct range and value for result fields
- 4) The information in one transaction with that of a previous transaction

4.3.1.5 Operational Failure and Disaster Recovery

In the event of CSE system failure, the eAI bus provides a journal record, which can be stored to assist with disaster recovery. Tracking of message-level operations allows

³ The CSE BP has proposed SeeBeyond's e*Gate, a market-leading eAI bus.

recovery from hardware failure without risk of data duplication. Independently of disaster recovery, the journal records also provide an audit trail.

4.3.2 CCSAS Version 1

As discussed in RFP Section 4.3 CCSAS Operations Concept, CCSAS is being implemented in two versions to provide early benefits and minimize disruption to users and customers during CCSAS rollout. DCSS provides the same child support services in Version 1 that it does in Version 2, with a similar expected level of service. RFP Section 4.3.1 Version 2 Collection and Disbursement Processing describes the Version 2 collection and disbursement processes. The ARS and CASES consortia systems perform after-hours batch processing for transactions. **The SDU must maintain and support both Version 1 and Version 2 interfaces simultaneously throughout the Version 2 roll-out period.**

Figure 4-7 illustrates the primary differences between Version 1 and full Version 2 relative to SDU. In Version 1:

- 1) The DCSS Integrated Database (IDB) allocates intercepts for counties that have not transitioned to the SDU and all IRS intercepts.
- 2) All Child Support payments are allocated by CSE only within transitioned counties. IRS intercepts are not allocated by CSE.
- 3) The SDU receives IV-D disbursement instructions from the ARS and CASES Consortia in either the ARS or CASES SDU interface format and provides IV-D disbursement status data and exception data to these consortia systems
- 4) The SDU provides the Non IV-D Customer Service Center.

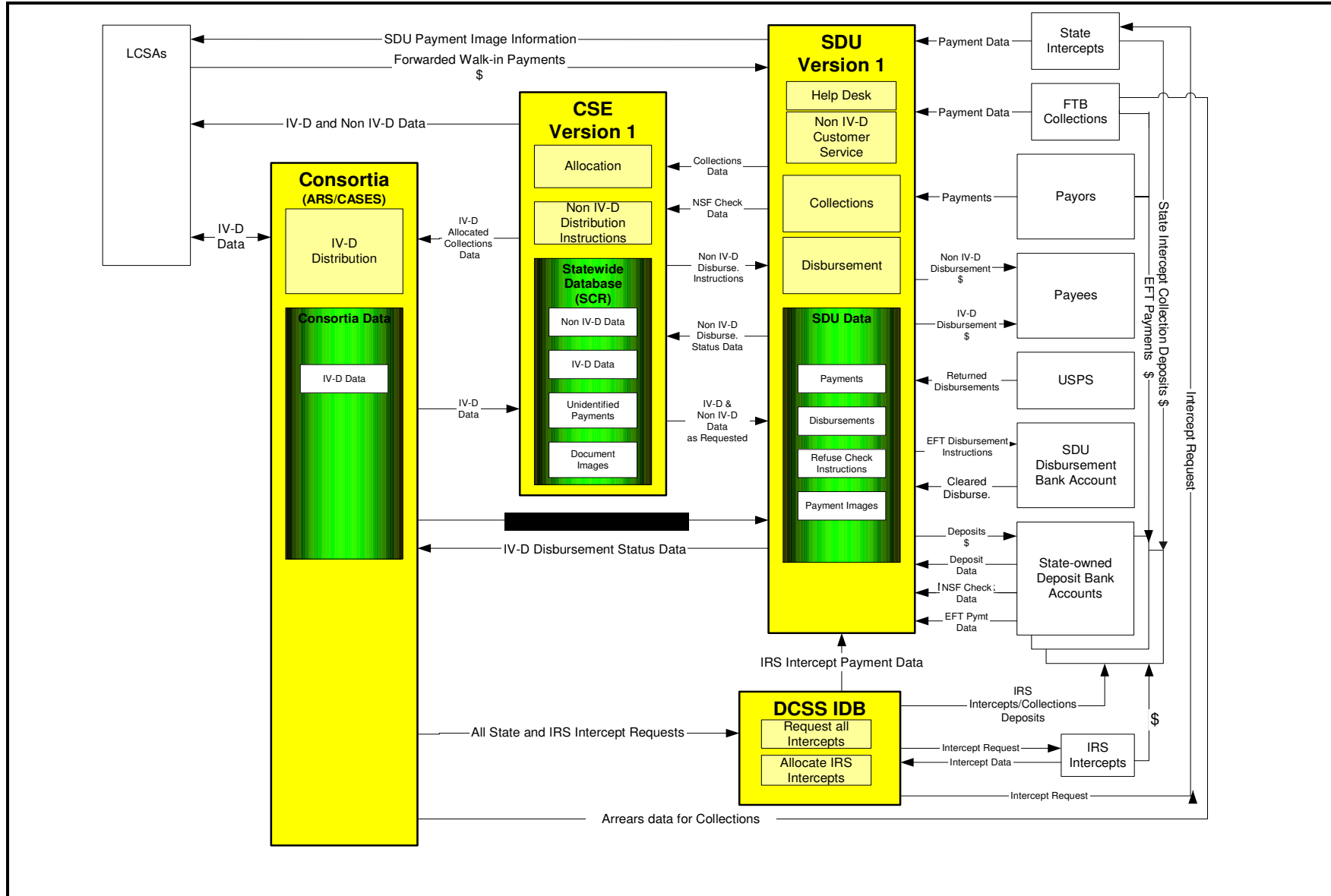


Figure 4-7 – Collection and Disbursement for CCSAS Version 1

In Version 1, the SDU receives collections from employers, NCPs, other states, and State intercepts. All intercept requests are processed through the IDB. IRS intercept payments are allocated through the IDB. All other intercepts are allocated by CSE. The SDU SP processes collections using the same methods and procedures as those used in Version 2. The concepts of internal controls, including separation of duties, data capture, data perfection, and reconciliation apply.

The SDU SP transmits all collection information to the Version 1 CSE in accordance with the Version 1 CSE/SDU IDD. The Version 1 CSE identifies a IV-D payment to an NCP, allocates the payment across NCP accounts based on statewide rules and sends allocated IV-D payment information to the LCSAs so that the allocated payment can be distributed to IV-D member accounts. IV-D disbursement instructions are generated using either the ARS or CASES application hosted at the ARS and CASES Consortia. The ARS and CASES SDU interface formats are documented in the CSE BP provided Functional Requirement Design Documents⁴ (FRDDs). IV-D disbursement instructions are transmitted to the SDU via the ARS or CASES Consortia. Similarly, the SDU transmits data on the status of disbursed IV-D payments to the ARS and CASES Consortia.⁵ Data concerning disbursement exceptions, such as returned disbursements, is included with the disbursement status data exchanged in the SDU/consortia interfaces. The Version 1 CSE generates Non IV-D disbursement instructions and transmits the Non IV-D disbursement instructions to the SDU. The SDU returns data on the status of disbursed Non IV-D payments to Version 1 CSE. Data concerning disbursement exceptions, such as returned disbursements, is included with the disbursement status data exchanged in the CSE/SDU interface.

For Version 1, the SDU must provide a Help Desk with a national toll-free number until CSSC implementation to provide customer service on a direct call basis for employers, NCPs, CPs and other states making payments. The SP will, upon request of the State, transition the toll free number to the CSSC when implemented. The SDU Help Desk must also provide assistance to authorized CSP users regarding online access of payment images. The SP must provide Non IV-D Customer Service for Version 1 and will be the initial point of contact for Non IV-D customers. The Help Desk and the Non IV-D customer service functions may be combined by the SP. Within 6 months of CSSC implementation, the SP will transfer the Non IV-D customer service to the CSSC. The Help Desk function will continue once the CSSC is implemented. The CSSC will be the initial point of contact for all customers. Customers will be transferred to the SDU Help Desk by the CSSC.

- 1) The SDU Help Desk must provide customer service as described in Section 4.3.1.3.

⁴ There is a separate FRDD for ARS and CASES.

⁵ There are three LCSAs on ARS and 55 on CASES. Decisions regarding SDU interface files, e.g. whether there are separate files for each LCSA or separate merged files for ARS, LCSAs, and CASES LCSAs, will be made during development of the FRDD and with input from the SDU SP.

The Non IV-D Customer Service Center must provide customer service in the following areas:

- 1) General questions concerning the new SDU services; reasons for new approach
- 2) Information about case and member IDs
- 3) Inquiries concerning the amount and timing of payments received or to be received
- 4) Corrections to misapplied payments
- 5) Inquiries concerning lost, stolen or damaged checks
- 6) The way in which new or updated customer information may be submitted to the CSP

In coordination with the CSP and the CSE BP, the SDU SP must perform outreach to continue encouraging employers, custodial parties and noncustodial parents to participate in the required and optional methods for electronic payments and disbursements. The minimum outreach efforts required are described in RFP Section 6 SDU Statements of Work.

The Version 1 WAN is similar to the Version 2 WAN. The primary differences are the addition of the ARS and CASES data centers and the Non-IV-D Customer Service Center as points of presence on the WAN. The State Customer Service Support Center is not present until after Version 1 implementation.

Figure 4-8 depicts the CCSAS Version 1 Customer Service. Figure 4-9 depicts the CCSAS Version 2 Customer Service.

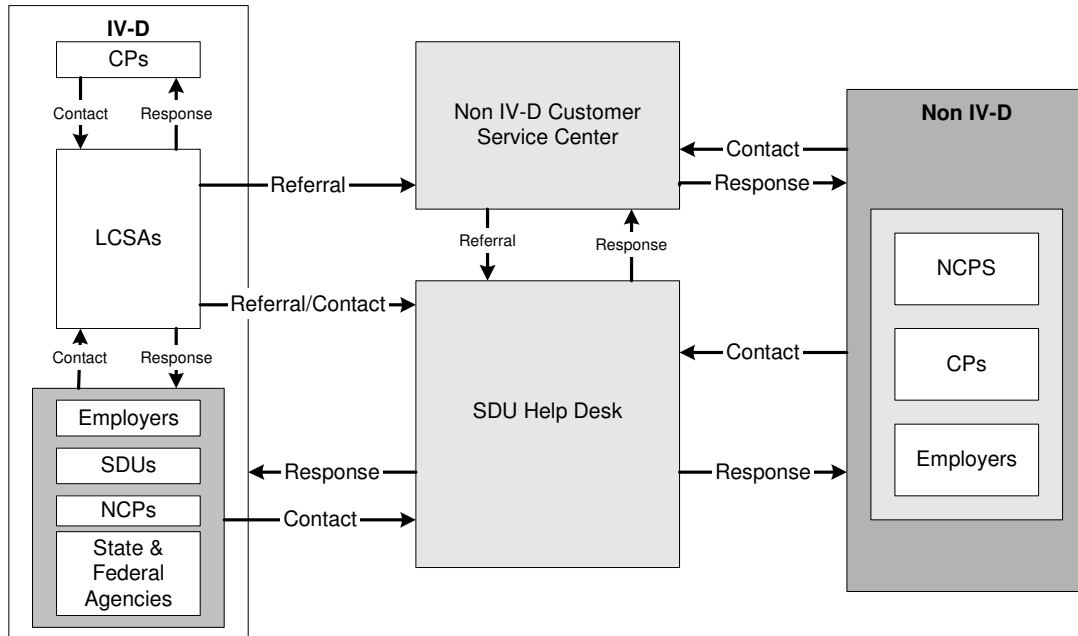


Figure 4-8 – CCSAS Version 1 Customer Service

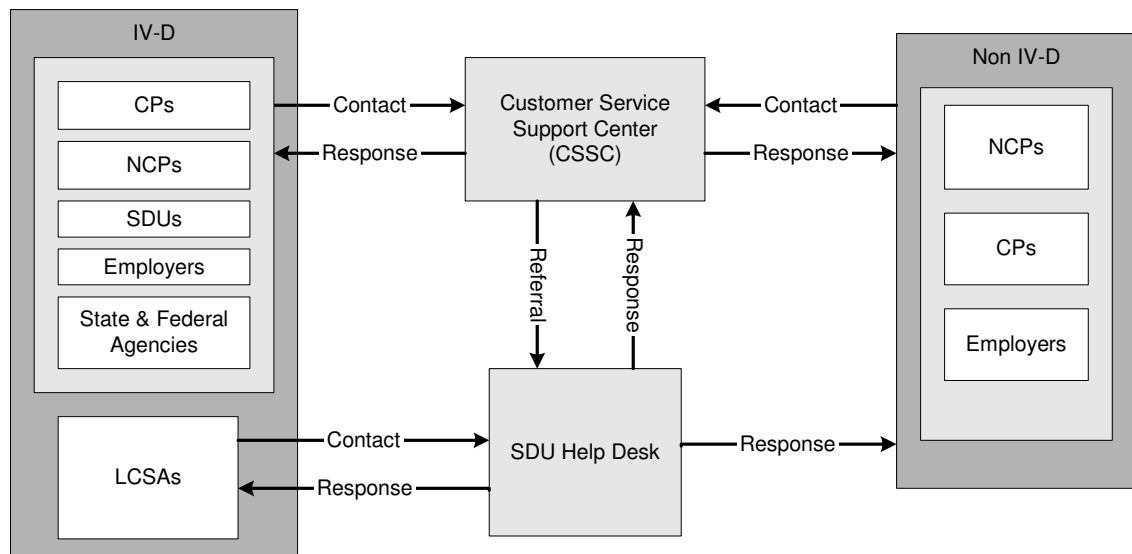


Figure 4-9 – CCSAS Version 2 Customer Service

4.4 Banking Model

This section describes the Banking Model used to manage child support collections and disbursements. The SP banking responsibilities are specified in the RFP Section 6, Statements of Work.

The DCSS is responsible for monitoring, tracking and accounting for child support funds. In addition, DCSS has the responsibility to protect State monies from fraud, waste and abuse⁶.

The State's banking process is comprised of two components; the Centralized Treasury System (CTS) as the State's banker and the State Controller's Office (SCO) as the accountant/bookkeeper who issues warrants. The purpose of the CTS is to ensure that depository banks provide the State with proper and adequate security of State monies and to maximize the earnings of interest consistent with safe and prudent treasury management. All money collected by or in the possession of the DCSS will be deposited in the CTS. The SCO is also responsible for auditing the disbursement of money and drawing warrants on the Treasury.

The CTS is an agreement between the State Treasurer's Office (STO) and a number of California's banks. The number of banks varies based on contract negotiations. The agreement is that the banks provide banking services to State agencies/departments and the STO agrees to keep, on a daily basis, an annually negotiated cash balance in each bank. There are currently seven contracted banks. Refer to Figure 4-10 for the seven banks and the State Banking Process.

Under the CTS, the DCSS will notify the STO whenever a deposit is made. From such data, the STO maintains central accounts with respect to each approved depository. Although deposits are made at any approved depository branch, only one account is maintained at each depository bank by the STO.

When a deposit is made a Remittance Advice form is prepared by the DCSS and submitted to the STO informing it that the money is to be posted from the CTS to a fund. General disbursements are made by SCO from legislative authorized appropriation of the various funds. California Family Code §17311 establishes a continuously appropriated Child Support Payment Trust Fund for the purposes of processing and providing child support payments. California Family Code §17311.5 authorizes the DCSS to enter into a trust agreement with a trustee or fiscal intermediary to receive or disburse child support collections.

⁶The State responsibilities described and depicted in this Section, 4.4. Banking Model, are included to provide a reasonably complete context for understanding and analyzing SP banking requirements and responsibilities. Although the processes illustrated have been developed in collaboration with many State departments including the Department of Child Support Services, Franchise Tax Board, Department of Finance, State Controller's Office and State Treasurer's Office, they may not exactly coincide with processes ultimately implemented. These processes will be used to develop more detailed and final processes documented in department interagency agreements.

The State's banking process provides mechanisms that are compliant with State law and assure protection of financial assets. The SDU banking model is divided into two components (collections and disbursements) each being distinctly different. The following sections describe each of these components in further detail.

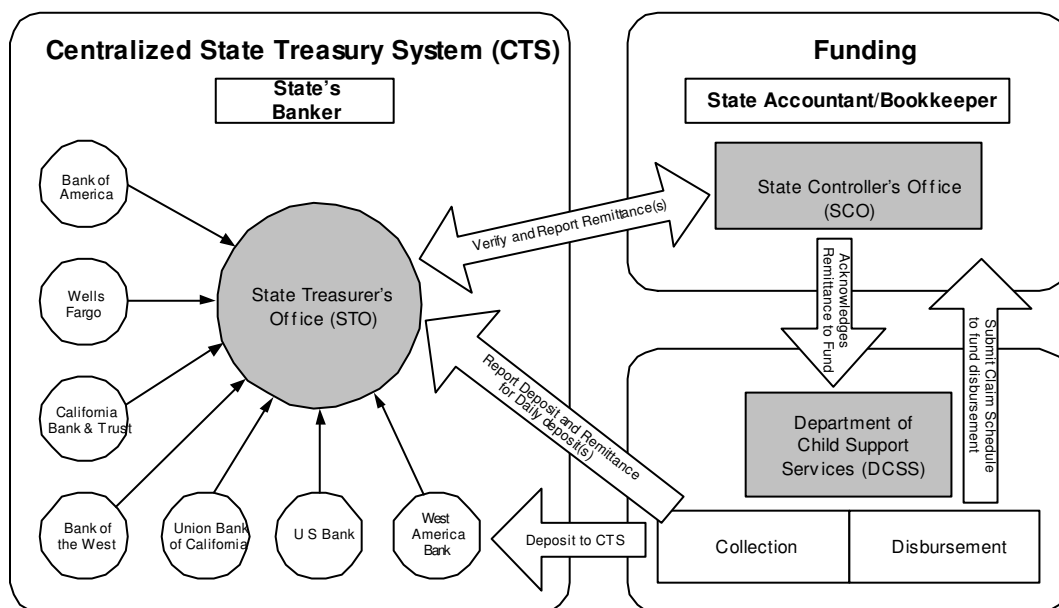


Figure 4-10 State Banking Process

4.4.1 Collections Banking Model

This section describes SDU collections by mail and EFT banking model along with the returns process flow. The SP will deposit child support payments into the State owned Zero Balance Accounts (ZBA). The DCSS, utilizing the STO Misc-Sort contract, will require the SP to prepare deposits in accordance with the STO Misc-Sort contract. This requires the SP to presort and encode checks into batches by the CTS designated state banks (7) plus one additional for the miscellaneous deposits. Therefore, eight separate deposits shall be prepared and reconciled for deposit by a designated time each State business day where a courier will be provided to pick up the daily deposits. These deposits will be taken to each of the State designated banks where they will be deposited into the State owned ZBAs. In the event the SP chooses to furnish the bonded courier for the delivery of the deposits to the CTS banks, the STO Misc-Sort contract will need to be amended to account for this activity.

Payments received electronically will be deposited into a separate State owned ZBA. Electronic payment information will be provided daily to the SP for timely reconciliation

and payment processing to the CSE. All payments received each day shall be reported by the SP on the daily operations report along with their disposition.

At the end of each day the State owned ZBAs are swept into the CTS leaving each with a zero balance. The DCSS performs daily remittance and provides remittance information to the STO. The STO forwards the remittance advice to the SCO to credit daily remittance advice(s) to the Child Support Trust Fund.

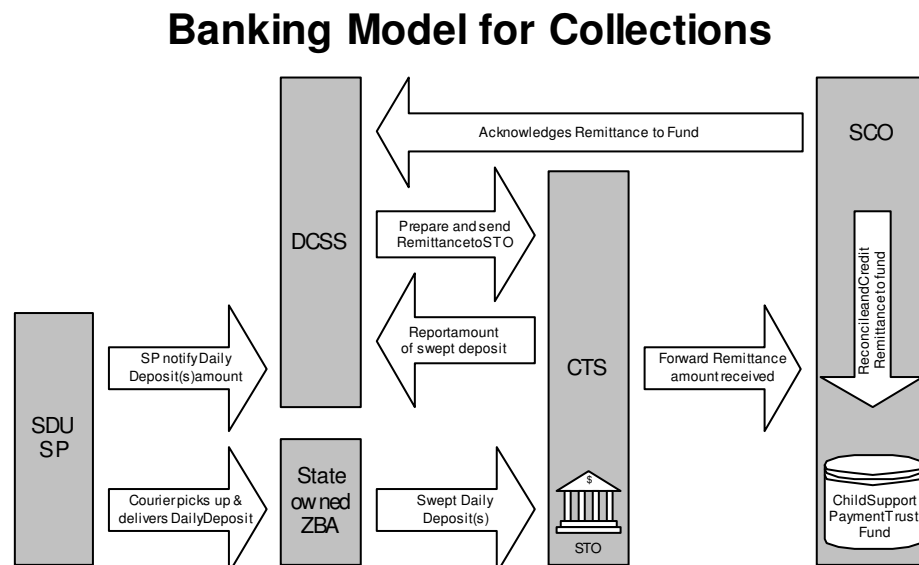


Figure 4-11 Mail Collection Banking Process

4.4.1.1 Mail Collection Banking Process Flow

The collection by mail banking process flow begins when the SP receives mail from the payor. Figure 4-11 depicts the Mail Collection Banking Process. Below are the steps involved with the Collection by Mail Banking Model.

- 1) Payors send payments via United States Postal Service to the SDU.
- 2) The SP processes the payments by mail, presorting, reconciling, and preparing daily deposit(s). The SP provides a copy of the daily deposit slips to the DCSS accounting staff. Each State business day the SP will provide the daily operations report that will include a reporting of daily deposits by bank account.
- 3) The daily deposit(s) are picked up at 1:00 PM and transported by a Misc-Sort courier to the State owned ZBAs. The SP sends collection transactions information to the appropriate system and generates the daily operations report.
- 4) The courier delivers the daily deposit(s) to each of the designated State CTS banks ZBAs where the deposit(s) are verified and deposited in the ZBA.
- 5) The ZBAs deposits are swept daily into the CTS.

- 6) The DCSS performs the daily remittance and forwards remittance information to the STO.
- 7) The STO verifies deposits swept daily and retains one copy of the daily remittance advice(s).
- 8) The SCO receives the daily remittance advice(s) copy from the STO.
- 9) The SCO reconciles daily remittance advices and credits the Child Support Trust Fund notifying DCSS accounting staff of remittance.

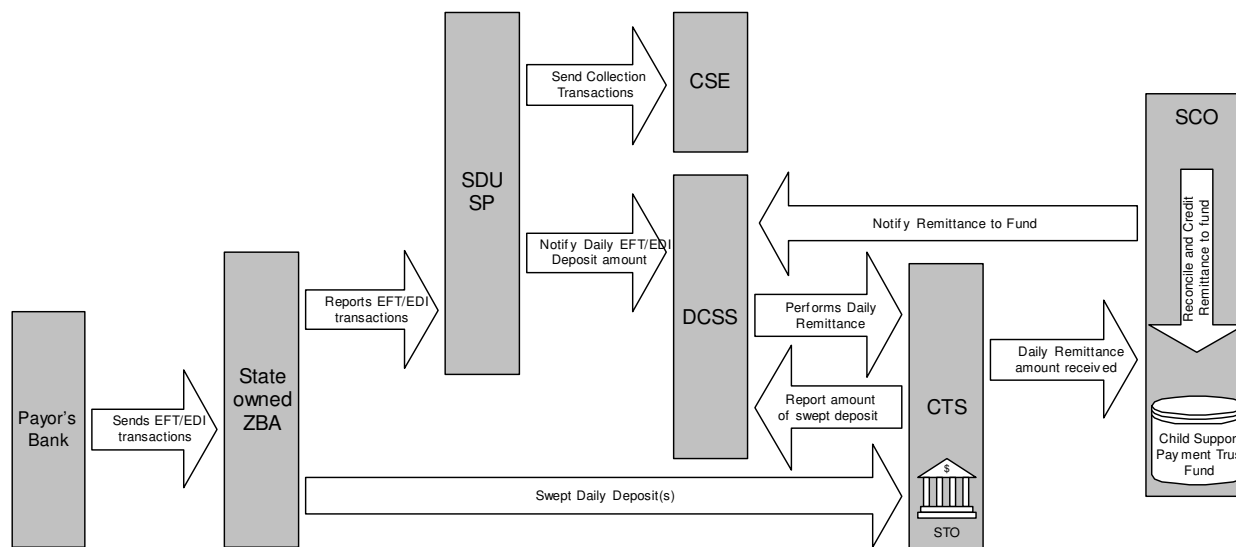


Figure 4-12 Electronic Collection Banking Process

4.4.1.2 Electronic Collection Banking Process Flow

The electronic collection banking process flow begins when the SP receives EFT/EDI payment transaction information from the State owned ZBA EFT bank. Payors such as, employers, other states, and NCPs paying by direct withdrawal or credit card, send employee/payment information to the Payors' bank. Figure 4-12 depicts the Electronic Collection Banking Process. Below are the steps involved with the Electronic Collection Banking Process.

- 1) Payors' bank processes employee/payment information per the authorization agreement. EFT/EDI transactions are generated and sent to the State owned ZBA EFT bank.
- 2) The State owned ZBA EFT Bank receives EFT/EDI payment information that is reported to the SP for processing.
- 3) The SP processes the EFT/EDI payments, reconciles and notifies the DCSS accounting staff of daily EFT/EDI amount deposited. The SP sends the EFT/EDI payment and collection transaction information to the CSE and generates the daily collections report.

- 4) From here the deposit follows the same process as mail collections process flow. The ZBA's deposits are swept daily into the CTS.
- 5) The DCSS performs the daily remittance and forwards remittance information to the STO.
- 6) The STO verifies deposits swept daily and retains one copy of the daily remittance advice(s).
- 7) The SCO receives the daily remittance advice(s) copy from the STO.
- 8) The SCO reconciles daily remittance advices and credits the Child Support Trust Fund notifying DCSS accounting staff of remittance.

Figure 4-13 depicts the timeline for the collections steps listed above in RFP Section 4.4.1.1 Mail Collection Banking Process.

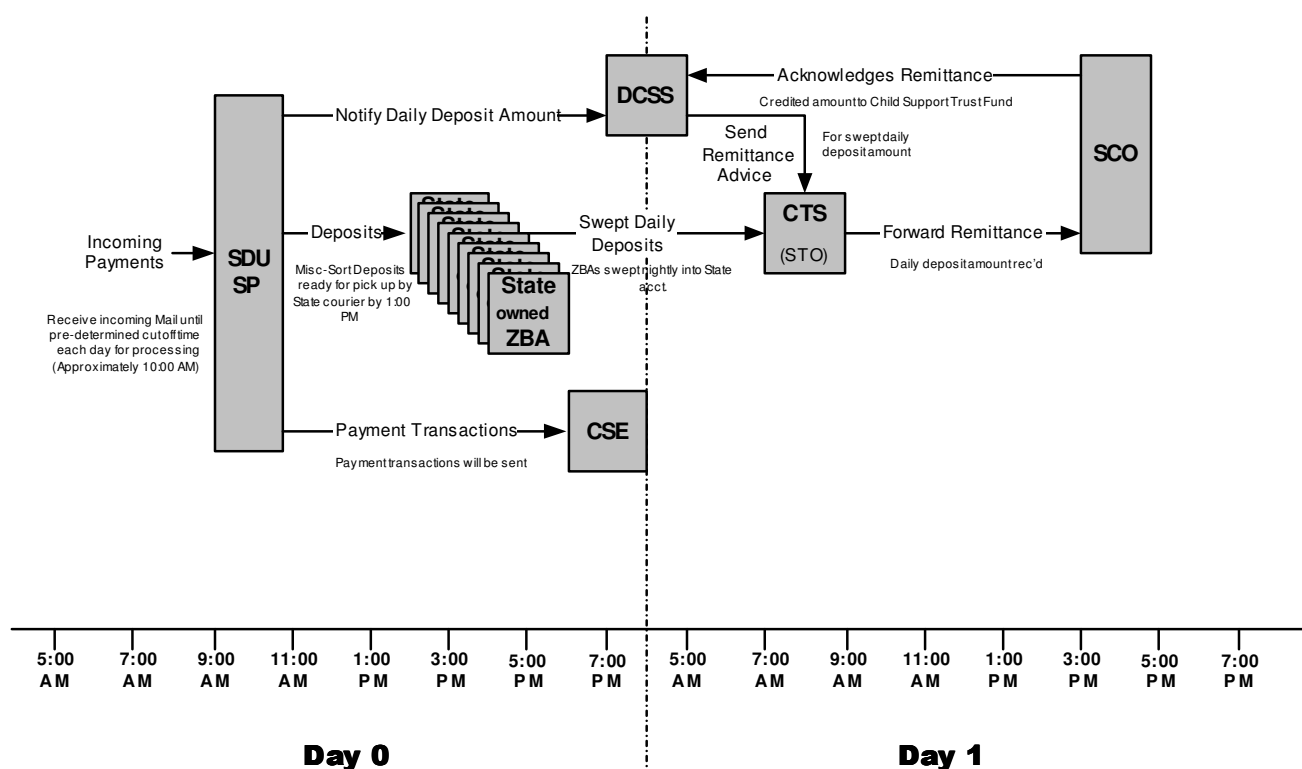


Figure 4-13 Mail Collection Banking Timeline

4.4.1.3 Collection Returned Items Banking Process Flow

The Collection Returned Items Banking process flow is designed to show a high-level view of child support payments received with insufficient funds whether paper or electronic. For the purpose of this document, the Collections Returned Items Process begins with the payor's bank refusing to make payment. Below are the steps in Figure 4-14 Collection Returned Items Process.

- 1) The Payor's bank, the Originating Depository Financial Institution (ODFI), notifies the Receiving Depository Financial Institution (RDFI) of the refused payment.
- 2) The RDFI performs a debit to the demand account to offset the returned item and notifies the SDU SP of returned item received (only once a day).
- 3) The SDU SP notifies the CSE and the DCSS accounting staff of returned item and amount.
- 4) The DCSS reduces the amount of the daily remittance to the Fund accordingly.
- 5) The CSE updates the database and takes the next appropriate action.
- 6) The SDU SP sends correspondence to payor notifying them of returned payment.

If a returned check then:

- 7) The RDFI sends the returned check(s) to the SDU SP.

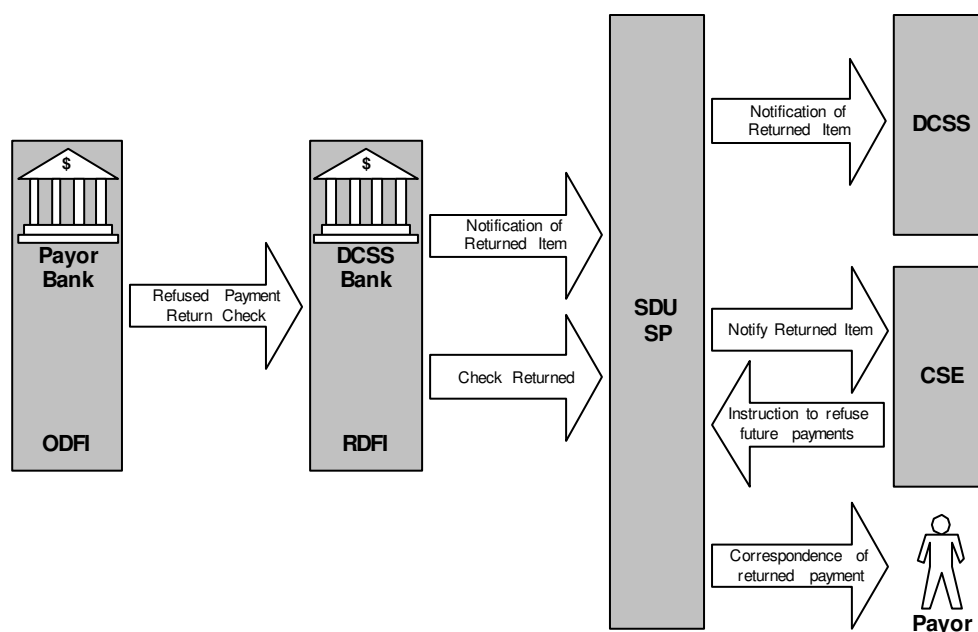


Figure 4-14 Collection Returned Items Process

4.4.2 Disbursement Banking Model

This section describes the banking model for SDU disbursements by mail, direct deposit, EPC, and disbursements returned by mail. It also discusses the disbursement process. The SP will disburse child support payments, either electronically or by printed check, from an SP SDU demand/sweep bank account. The SP will be required to open an SDU demand/sweep bank account at the State designated CTS banks at which the DCSS holds its State Investment Fund Account for the purposes of disbursing child support payments. All funds in the investment account shall be invested each night in funds that comply with §16430 of the California Government Code. Such investment satisfies the requirements of Article 2 of Chapter 4 of Part 2 of Division 4 of Title 2 of the California Government Code (commencing with §16520). The State will fund the SP's

demand/sweep bank account each State business day by filing a claim with the State Controller based on the daily deposit amount reported to DCSS. The SP will report disbursement instructions issued and received by the daily cut off time to the DCSS accounting staff. The DCSS accounting staff will be responsible for generating and submitting a timely daily expedited claim to the SCO that will cover daily disbursement instructions to fund the SP.

The SDU Disbursement Expedited Claim process describes the method used to fund the SP within the State Banking Process. The SP makes child support disbursements from the SP demand/sweep bank account that is owned and managed by the SP. Therefore; there is a need for an expedited claim process to fund the SP bank in a timely manner while adhering to strict State guidelines. The DCSS accounting staff will prepare and submit an expedited claim to the SCO by a specific time each business day, while the SP is executing the disbursement instructions throughout the day. The SCO will process and prepare a warrant payable to the SP that will be ready for pick up the next business day, for State expenditures against Child Support Trust Fund contained within the Treasury. Each day a bank courier will pick up the warrant and take it to the STO. The STO will wire funds to the SP bank account the same day.

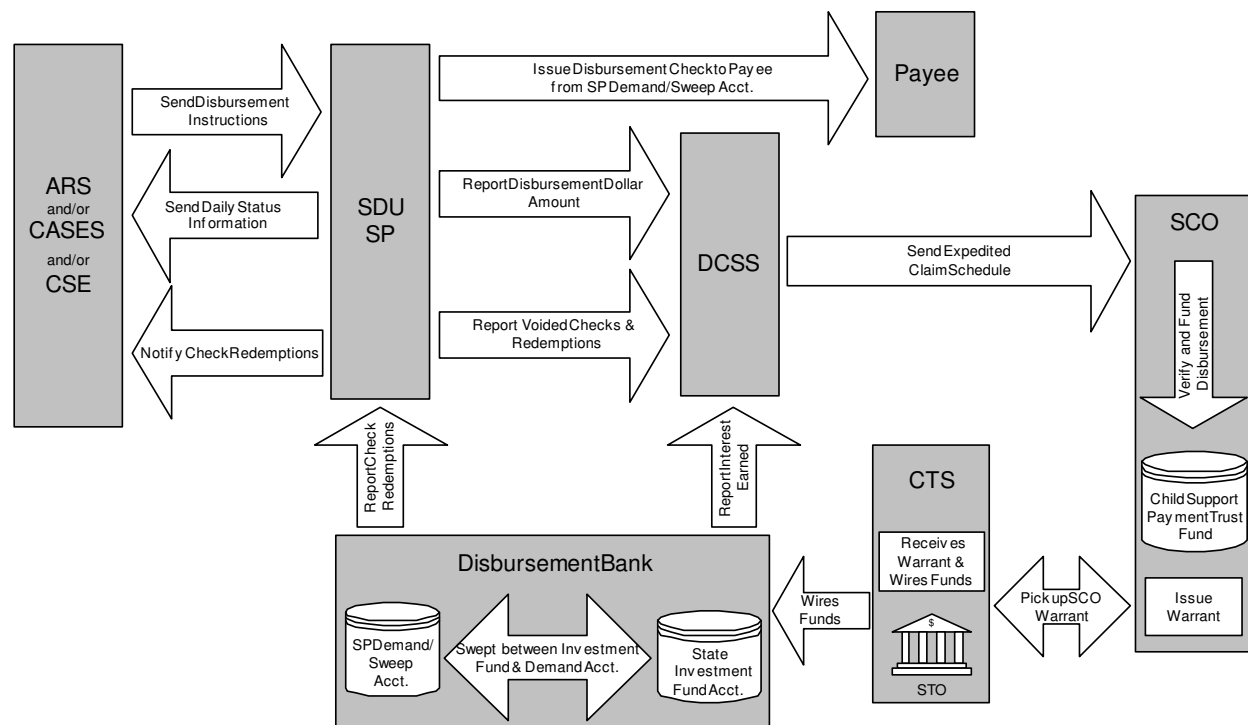


Figure 4-15 Mail Disbursement Banking Process

4.4.2.1 Mail Disbursement Banking Process Flow

The disbursement by mail banking process flow begins with the SP receiving disbursement instructions. Figure 4-15 depicts the Mail Disbursement Banking Process. Below are the steps involved with the processing and funding of disbursement by mail.

- 1) Disbursement instructions are received at the SDU throughout the day.
- 2) DCSS determines the required funding amount, as early as, when the deposits are made; and prepares the expedited claim.
- 3) DCSS verifies the amount of the expedited claim with the appropriate information including disbursement instructions received by noon each State business day.
- 4) DCSS prepares an expedited claim by 2:00 PM each State business day to the SCO.
- 5) State courier then delivers the expedited claim to the SCO by 3:00 PM each State business day where the claim is processed.
- 6) SCO issues a warrant that is ready for pick up the next State business day after 8:30 AM.
- 7) The bank courier picks up the warrant at the SCO and delivers it to the STO.
- 8) STO receives the warrant and wires funds to the SP demand/sweep bank account by 1:30 PM the same day.
- 9) The SP processes the disbursement instructions issuing checks to the payee drawn on the SP demand/sweep bank account and mails the checks to the payee.
- 10) The payee receives the check and the attached remittance advice.
- 11) The check is redeemed at the SP's disbursement bank.
- 12) On a daily basis, funds in the SP demand/sweep bank account, in excess of daily redemptions, are swept into the State investment fund account. The funds in the State investment fund account are also swept back into the SP demand/sweep bank account as needed to cover incoming redemption checks on a daily basis.
- 13) The SP electronically sends daily status information on disbursement instructions, reports voided checks, and redemptions on a daily basis to DCSS and the appropriate system (ARS, CASES, CSE). The SDU also generates the daily disbursements report.

Electronic Disbursement Banking Process

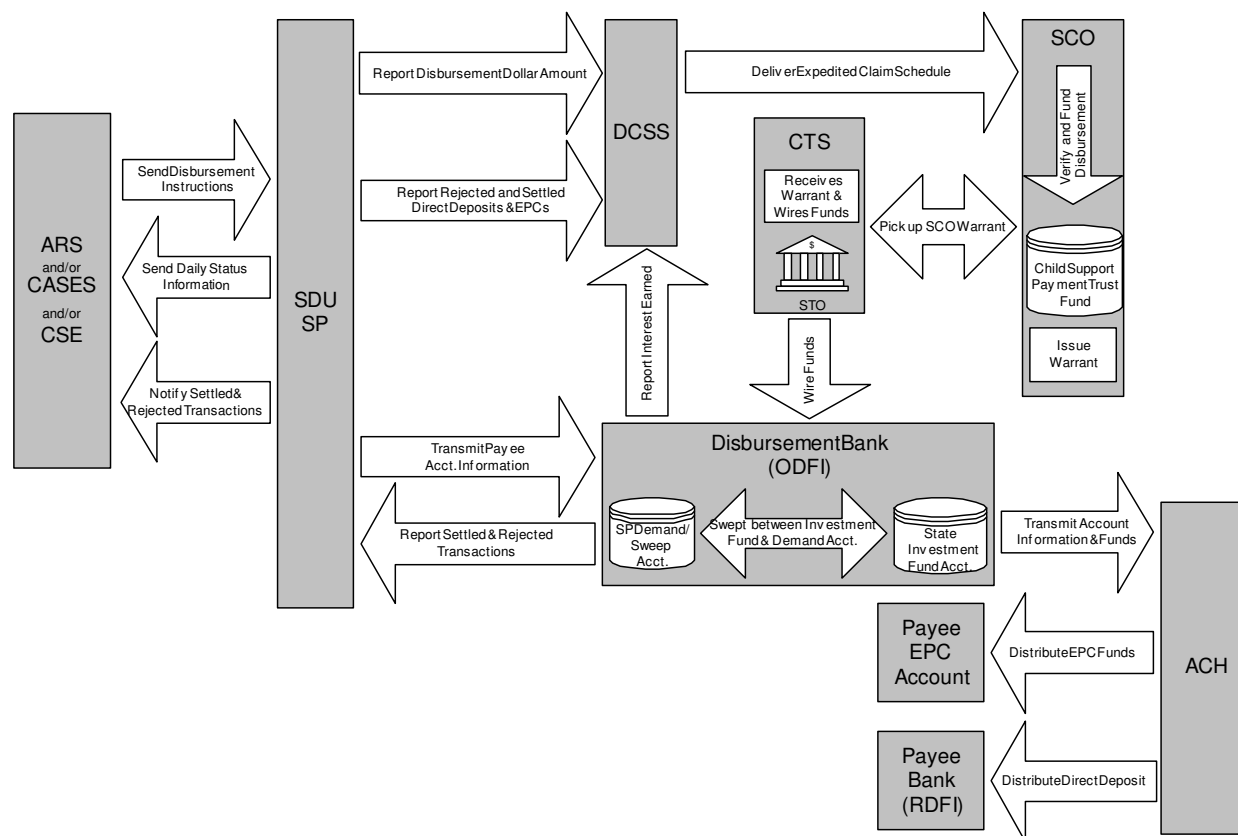


Figure 4-16 Electronic Disbursements Banking Process

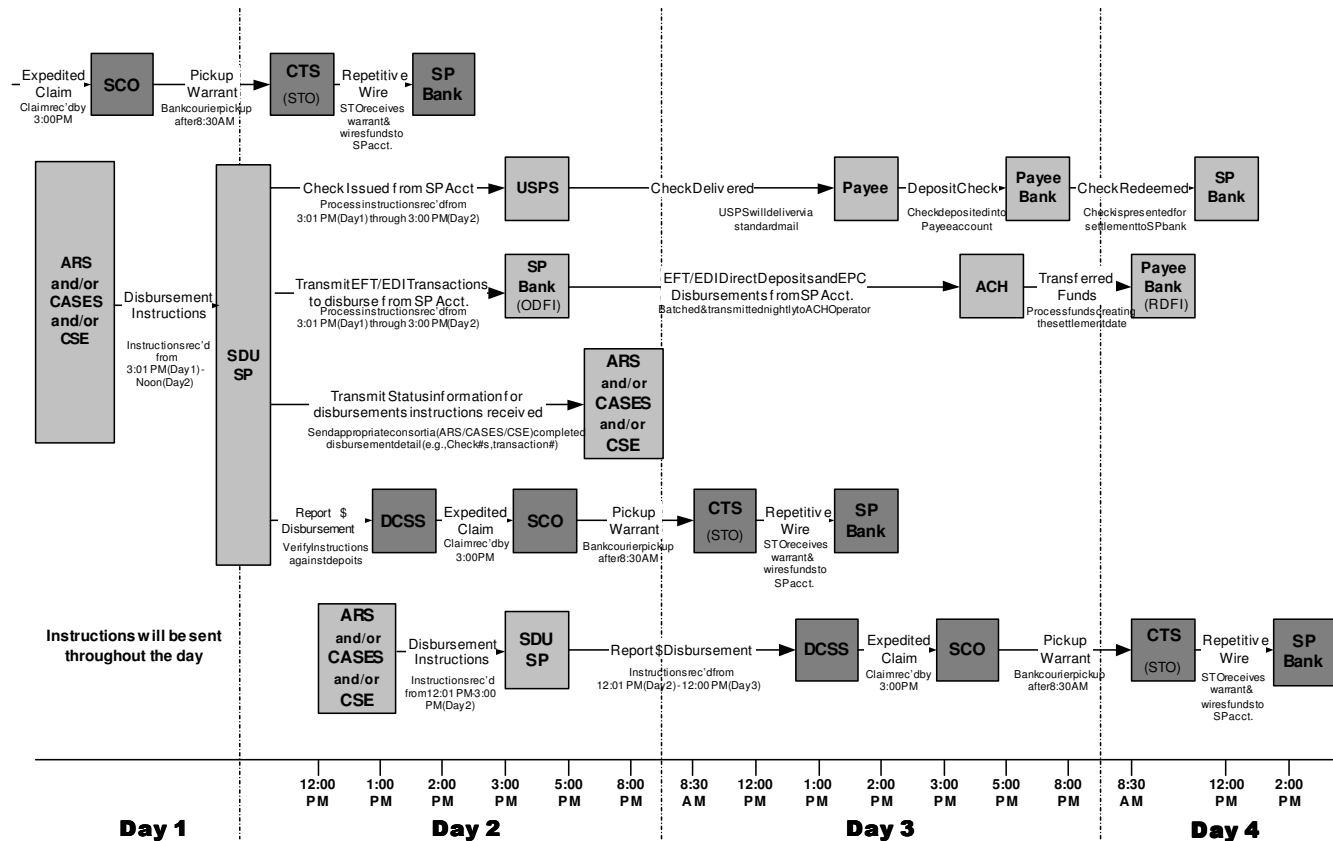
4.4.2.2 Electronic Disbursement Banking Process Flow

The electronic disbursement banking process flow begins with the SP receiving EFT, direct deposit, or EPC disbursement instructions. Figure 4-16 depicts the Electronic Disbursement Banking Process. Below are the steps involved with the processing and funding electronic disbursement. (Note steps 2-8 and 13 are the same for both disbursements by mail and electronic when reimbursing the SP.)

- 1) Disbursement instructions are received at the SDU.
- 2) DCSS determines the required funding amount, as early as, when the deposits are made; and prepares the expedited claim.
- 3) DCSS verifies the amount of expedited claim with the appropriate information including disbursement instructions received by noon each State business day.
- 4) DCSS prepares an expedited claim by 2:00 PM each State business day to the SCO.

- 5) State courier then delivers the expedited claim to the SCO by 3:00 PM each State business day where the claim is processed.
- 6) SCO issues a warrant that is ready for pick up the next State business day after 8:30 AM.
- 7) The bank courier picks up the warrant at the SCO and delivers it to the STO.
- 8) STO receives the warrant and wires funds to the SP demand/sweep bank account, by 1:30 PM the same day.
- 9) The SP processes the disbursement instructions for EFT direct deposits and EPCs to the SP's disbursement bank (Originating Depository Financial Institution (ODFI)) from the SP's demand/sweep bank account by transmitting the Receiving Depository Financial Institution (RDFI) account information to the ODFI
- 10) The SP disbursement bank (ODFI) batch processes the transmitted EFT/EDI information nightly to the Automated Clearing House (ACH). The next day the ACH receives the ODFI entries. These ODFI entries are held and batch processed nightly by the ACH operator, as the central clearing facility. The ACH operator receives the ODFI entries, distributes the entries to the appropriate RDFI's (Payee Bank and EPC account), and performs the settlement function for the affected financial institution.
- 11) The Payee Banks and EPCs account are credited.
- 12) On a daily basis, funds in the SP demand/sweep bank account, in excess of daily demand, are swept into the State investment fund account. Funds in the State investment fund account are swept back into the SP demand/sweep bank account as needed to cover incoming fund transfer demands on a daily basis.
- 13) The SP electronically sends daily status information on disbursement instructions, reports on rejected and settled direct deposits, and EPCs on a daily basis to DCSS and to the appropriate system (ARS, CASES, CSE). The SP also generates the daily disbursements report

Figure 4-17 depicts the timeline for the disbursement steps listed above in RFP Section 4.4.2.1 Mail Disbursement Banking Process and RFP Section 4.4.2.2 Electronic Disbursement Banking Process.

SDU Disbursement Banking Timeline**Figure 4-17 SDU Disbursement Banking Timeline**

4.4.2.3 Disbursement Returned Items Banking Process

The Disbursement Returned Items Banking process flow is designed to show a high-level view of child support payments returned as undeliverable mail. For the purpose of this document, the Disbursement Returned Items Process begins with incoming mail to return address on the envelope. Below are the steps for the processing, as seen in Figure 4-18 Disbursement Returned Items Process.

- 1) Incoming mail is received by the SDU, either from a return address Post Office Box, or via notification from the SP disbursement bank.
- 2) The SP receives incoming mail and notification of failed direct deposits and EPCs daily. Each return is processed by logging transaction type, imaging, and voiding checks and EPCs appropriately.
- 3) The SP identifies each return and electronically reports each transaction to DCSS and CSE for disposition.
- 4) The daily funding of disbursements will be offset by amounts identified as returned items and voided checks/cards, and stale dated checks.

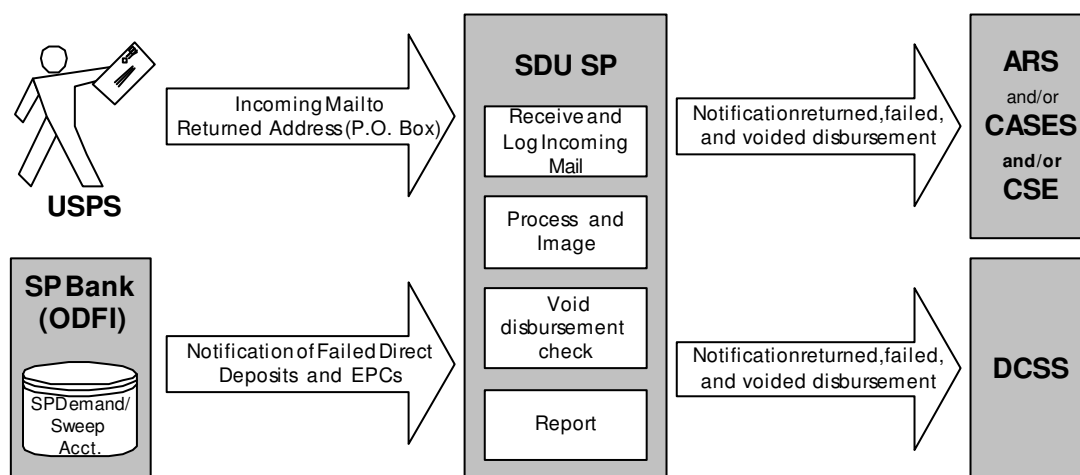


Figure 4-18 Disbursement Returned Items Process

4.4.2.4 Disbursement Reimbursement Offsets

The daily funding of disbursements will be offset by DCSS for amounts reported as returned disbursements, NSF's that the SP has accepted contrary to CSE instructions, stale dated checks, other voided or cancelled checks or EPCs, and undeliverable direct deposits. The amount of the disbursement reimbursement to the SP will be adjusted prior to submission of the expedited claim by DCSS.

4.4.3 Required Authorizations to Establish Banking Services

In order to establish banking services for the SDU, DCSS must document the recommended SDU Banking Model with its requirements and receive the appropriate level of approval. The following banking functions are required to operate the SDU Banking Model and DOF approval of any changes (or DOF support) will be required:

- 1) Use of Central Treasury System for banking.
- 2) Use of the STO Misc-Sort Contract which provides for reduced cost banking services, and free bonded courier service, and
- 3) Use of the SCO Expedited Claim Process to ensure funds for Disbursements can be transferred to the Disbursement Service Provider at the time required.

4.5 CCSAS Implementation

A successful CCSAS implementation requires planning that anticipates risks to transition and the possible negative impacts to any stakeholder. The approach selected for transitioning counties and consortia from being local collectors and disbursers of child support to a statewide and federally certifiable process has a direct bearing on project success. This success will be measured not only by a system implementation, but by the meeting of goals and objectives established by DCSS and Project. These goals and objectives consider the daily operations and lives of stakeholders, employers, and commitment to the CSE Business Partners.

RFP Section 4.5.1 Implementation Risks briefly discusses SDU implementation risks and the importance of proactive risk identification and mitigation. RFP Section 4.5.1.1 Implementation Strategy Business Drivers discusses the business “drivers” that serve as the basis and criteria for determining a preferred implementation strategy. RFP Section 4.5.2 Implementation Approach discusses implementation approaches under consideration by DCSS and the CCSAS Project. RFP Section 4.5.3 CCSAS Version 2 Implementation Activities describes the implementation activities, timeline and implications for the SDU.

4.5.1 Implementation Risks

The CCSAS Project has identified specific SDU risks related to achieving an integrated CCSAS solution and solving the five Business Problems. Only some of these risks are presented in Table 4-3. The SDU SP must work together with the CSE BP and State project to ensure that the probability and impact of these and other risks occurring is low.

Table 4-3 Implementation Risks

Function	Risk Characteristics	Risk Impact
Transition to SDU Services	<ul style="list-style-type: none"> Services are not well planned or coordinated with local operations Delayed State acceptance of CSE transition and integration plans Delays in SDU implementation 	<ul style="list-style-type: none"> Negative impact to stakeholders, such as; <ul style="list-style-type: none"> Employers, CPs and NCPs California county agencies (auditor/controller and welfare offices) SDU operations in other states

Function	Risk Characteristics	Risk Impact
CCSAS (CSE/SDU) Integration	<ul style="list-style-type: none"> • Constraints imposed on SDU SP by CSE integration design • Delayed State acceptance of CSE Interface Design Document 	<ul style="list-style-type: none"> • Costly system schedule delays • Delays negatively impacting key stakeholders. • Disruption to DCSS transition plans • Increased customer service contacts
CCSAS Certification	<ul style="list-style-type: none"> • Delays in opportunity for Federal certification • Failure to meet minimum performance certification requirements 	<ul style="list-style-type: none"> • State continues to incur penalties. • CSE BP and SDU SP compensations
SDU Implementation	<ul style="list-style-type: none"> • Non IV-D collection and disbursement base is not confirmed • CSE phasing strategies may complicate State, County, and SDU fund management • Start-up time allotted for facilities, staff, and infrastructure may be insufficient especially if SDU Operations must be implemented as soon as September 2005 	<ul style="list-style-type: none"> • Capacity is insufficient • Increased customer service contacts • Reduced quality of services • Impact to compensation • Schedule delays

4.5.1.1 Implementation Strategy Business Drivers

What follows are some CSP and CCSAS Project concerns that drive the analysis of strategies for transitioning to SDU:

Impact to Consortia Systems

To the extent that consortia systems must be modified to accommodate an SDU implementation strategy, the CCSAS Project incurs increased risk at multiple levels.

- 1) Increased time added to schedule for change analysis, execution and test
- 2) Increased opportunity for implementation problems due to changes not supported by consortia architectures and/or documentation.
- 3) Expenditure of time and money is not leveraged for the long-term
- 4) Increased likelihood that changed consortia systems negatively impact stakeholders dependent on systems for critical reports and procedures.

- 5) Negative impact to stakeholders further complicates and jeopardizes smooth transition to CCSAS.

Complexity of Fund Reconciliation

The SDU implementation strategies inherit a problem of transitioning fund management from multiple county funding infrastructures to the approved CCSAS banking model infrastructure. There is likely to be a direct correlation between the complexity of this funding transition and impact to risk and State and LCSA resources. Higher complexity probably translates as follows:

- 1) Increased impact to DCSS resources for reconciliation of multiple county daily reports with statewide views
- 2) An additional “step” in transitioning LCSAs to CCSAS jeopardizing and complicating this transition with negative impact to stakeholders
- 3) Possible inability to account for disbursements by collection fund source
- 4) Increased risk that a logical transition to SDU cannot be effectively documented

Consistency with Banking Model

Related to fund reconciliation but too important in its own right, the approved CCSAS banking model must provide a consistent basis for the selected SDU implementation alternative.

Supports flexibility in Employer transition

There is project risk in not having the flexibility to transition employers to SDU instructions.

- 1) A general principle for supporting this flexibility to transition employers is that an SDU implementation strategy must provide for local and SDU collections for a period of time.
- 2) A second principle or assumption is that dependence on county specific employers for employer transition does bring a modest risk. The suggested risk manifests if an employer redirects an NCP wage withholding for a non-transitioned county.

Consistency with CSE implementation approach

The State has entered into a partnership with the BP that includes an approach to transitioning to CCSAS. The SDU implementation strategy cannot put at risk this approved approach. CSE Statewide services can actually be built in version 1 without the implementation of an SDU. Thus, the CSE version 1 approach provides flexibility in the selection of an SDU implementation strategy. However, an SDU implementation strategy should not, in turn, constrain the CSE version 1 approach without State, CSE BP, and SDU SP concurrence of overall benefits. SDU must be implemented consistent with the CSE implementation and Project Schedule.

Supports Recovery

The complexity and time required to recover previous processes for collections and disbursements should also be a consideration.

Supports early certification

Related to most of the above, any SDU implementation strategy must be evaluated in terms of its support for the ability to demonstrate a logical transition to meeting federal certification requirements. The Certification Business Problem is the highest priority for the CCSAS Project including the SDU. The SDU implementation approach shall be consistent with CSE and support the earliest possible certification of the CCSAS which may be as early as September 2005.

4.5.2 Implementation Approach

DCSS and the CCSAS Project are partners with the CSE BP and SDU SP in collaborating on a transition and integration plan that takes into consideration the needs of the system owners and agents, stakeholders, business partners, and service providers. The goal of such collaborative planning is a timely implementation that addresses all of the Business Problems.

The business drivers discussed in RFP Section 4.5.1 Implementation Strategy Business Drivers were used as criteria for analyzing the appropriateness of a few general alternative approaches for transitioning counties to the SDU. These general alternatives included the following:

- 1) **County Funded** - Defer the transition to State banking model and infrastructure by having an SDU service county funding structures
- 2) **State Funded (A)** State Banking Model with existing county lockboxes continuing to operate with new local state accounts
- 3) **State Funded (B)** State Banking Model with central receipting
- 4) **Dual Collection/Dual Disbursement** - counties disburse locally for local collections and statewide (SDU) for SDU collections

Table 4-4A Summary of Analysis

	Consortia Systems Impact	Fund Reconciliation Complexity	Consistency with Banking Model	Support for flexible employer transition	Consistency with CSE	Support for Recovery	Support for Certification
County Funded	Low	Low	Completely Inconsistent	Flexible ⁷	Mixed ⁸	Mixed ⁹	OK ¹⁰
State Funded (A)	Low ¹¹	High ¹²	Issues w/ 58 new agents of State	Mostly Flexible ¹³	Consistent	Good ¹⁴	Some Questions

⁷ Assuming that local collections continue until all employers are transitioned.

⁸ Consistent in version 1 with likely risk and issues in version 2

⁹ Good support on the collection side, disbursement procedures must be reversed.

¹⁰ Statewide collection facility, distributed collection banking.

¹¹ Disbursement tapes transformed for SDU, collection payment source is statewide only.

¹² 58 County state banks to reconcile with Statewide and SDU

¹³ As counties are phased, NCPs should not be transitioned to SDUs where obligations are in non-phased counties.

State Funded (B)	Low ¹⁵	Low	Consistent	Mostly Flexible ¹⁶	Consistent	Good ¹⁷	Good
Dual Collection/ Dual Disbursement	Very High	High ¹⁸	Consistent	Very Flexible	Consistent	Very Good	OK

CCSAS has determined that the appropriate implementation strategy is one that has the following characteristics:

- 1) Is consistent with the State banking model and leverages that infrastructure
- 2) For transitioning counties, implements a total cutover to SDU with appropriate levels of local and central financial controls
- 3) Allows for phasing in specific counties in which services, policies, and processes can be effectively evaluated with corrections, if required, before each new level of phasing is selected
- 4) Is less complex in terms of operations and funding reporting and reconciliations.
- 5) Is a direct path to earliest possible opportunity for certification

This general strategy is the State Funded (B) approach with a combination of phasing in of employers and counties.

Table 4-4B overviews specific implementation approach phases consistent with the State's implementation strategy and designed to mitigate risk of schedule delay, avoid negative impact to stakeholders and facilitate success for all partners in this effort.

Table 4-4B Implementation Approach and SP Responsibilities for Version 1

Approach/SP Responsibilities	Rationale
1. Start with outreach to obtain required data to establish all Non IV-D wage withholding order and support order information. This effort includes: initially contacting the employers, and subsequently contacting the Non IV-D custodial parties and/or the courts to obtain the required information. The SP shall enter the Non IV-D information into the database prescribed by the State for CSE.	A project risk and issue concerns lack of information regarding Non IV-D participants and implications for successful implementation of collections and disbursements for this group. Notwithstanding this risk, there is an opportunity to implement these requirements early in the project when other project dependencies are minimal. This outreach recommendation is about mitigating the risk presented by the Non IV-D population by mastering the information very early in the project.
2. Establish for Version 1, a Non IV-D Customer Service Center for Non IV-D customers. The Non IV-D Customer Service Center will be responsible for both Non IV-D collection and disbursement customer service.	Opportunity to prove concept of CSE customer service while providing customer assistance concerning the forthcoming SDU collections and disbursements.

¹⁴ But keep lockboxes on contract

¹⁵ Same as Approach A

¹⁶ Same as Approach A

¹⁷ Same as Approach A

¹⁸ Relief from fund complexity was an intended benefit of this alternative, but the incorrect assumptions about the consortia systems with respect to tracing funds renders fund reconciliation complexity high.

Approach/SP Responsibilities	Rationale
3. Begin phasing in Non IV-D Collections and Disbursements in a controlled implementation of SDU operations with CSE. This phase kicks-off a phasing in of Version 1 CSE and SDU operations as soon as September 2005. This phase transitions wage assignment payments to the SDU by employer and may be implemented at varying rates determined to best address readiness and risk. Employers are instructed to re-direct wage assignment payments to SDU for Non IV-D wage earners identified above. This phasing in of SDU operations with CSE begins with a State "Go" decision stemming from successful CSE Version 1 ORAR, SDU Readiness Review and SDU Version 1 ORAR.	This is an opportunity to implement an unknown volume of collections at a time of least risk or schedule dependencies. This phase provides an opportunity to focus some attention on a new customer (Non IV-D). This implementation gives the project time to sort out and correct the SDU and CSE 2-day processing defects, and time to establish the respective vendor timeframes, budgets, and service level objectives. The CSE Statewide Services, the SDU and the Non IV-D Customer Service Center must be operating for both collection and disbursement processing. There are no significant dependencies with LCSAs or IV-D cases or conversions.
4. Continue phasing in additional employers for Non IV-D wage assignment payments to SDU.	Minimize impact to counties. This is further risk mitigation through a controlled phasing in of SDU and CSE functionality.
5. Conduct SDU Version 1 Implementation Assessment Review considering success of Non IV-D payment processing and readiness for IV-D payment processing including outreach to impacted IV-D stakeholders.	Evaluate CSE Statewide and SDU handling of Non IV-D wage assignments. Determine readiness for rolling out SDU to LCSAs for IV-D payments to SDU consistent with CSE IV-D readiness.
6. Phase in county/counties for IV-D SDU implementation. Perform necessary outreach and issue notices to redirect payments from county/counties in this phase to SDU for collections and disbursements. Process payments directed to the SDU and transferred from the selected county/counties in this phase.	Evaluate the full functionality of the SDU with the initial phase of IV-D county/counties selected for low risk characteristics including consideration of CSE Version 2 transition schedule. Target all payments in the selected county/counties. Determine system problems for correction. Evaluate transition impact to stakeholders and correct or plan mitigations for problem and potential problem areas for next phase. Reconcile deposits with collections.
7. Select and redirect additional counties for phasing in based on new county characteristics, lessons learned criteria and CSE Version 2 rollout schedule. Compile all pilot evaluation analyses for on-going implementation readiness.	Evaluate full functionality of the SDU with additional county characteristics. Determine any new system problems for correction. Evaluate transition impact to stakeholders and correct or plan mitigations for any new implementation issues.
8. Transition remaining counties to SDU.	Transition majority of counties after evaluation and resolution of implementation issues. This approach reflects continued risk mitigation through controlled phasing in of SDU and CSE functionality.

The CSE Version 1 implementation will provide sufficient functionality and data to support the Non IV-D and IV-D phases described above in Table 4-4B.

Figures 4-19 thru 4-24 are included to illustrate in more detail the interrelatedness of SDU and CSE data and instructions through the transition to CCSAS.

Figure 4-19 depicts operations after implementation of CSE Version 1 and just prior to implementation of the SDU operations for Version 1. The LCSAs are providing data as required to CSE. IV-D collections are received and processed at the LCSAs. Non-IV-D payments are issued directly to the payee by the payer. Intercept collection data is received and allocated by the IDB and then forwarded to the appropriate LCSA for distribution and disbursement. IV-D disbursements are issued by county fiscal agents according to instructions from the LCSAs. The SDU is prepared to process collections and disbursements. The IDB, SDU, CSE and consortia systems are prepared to phase in collections, intercept and disbursement data.

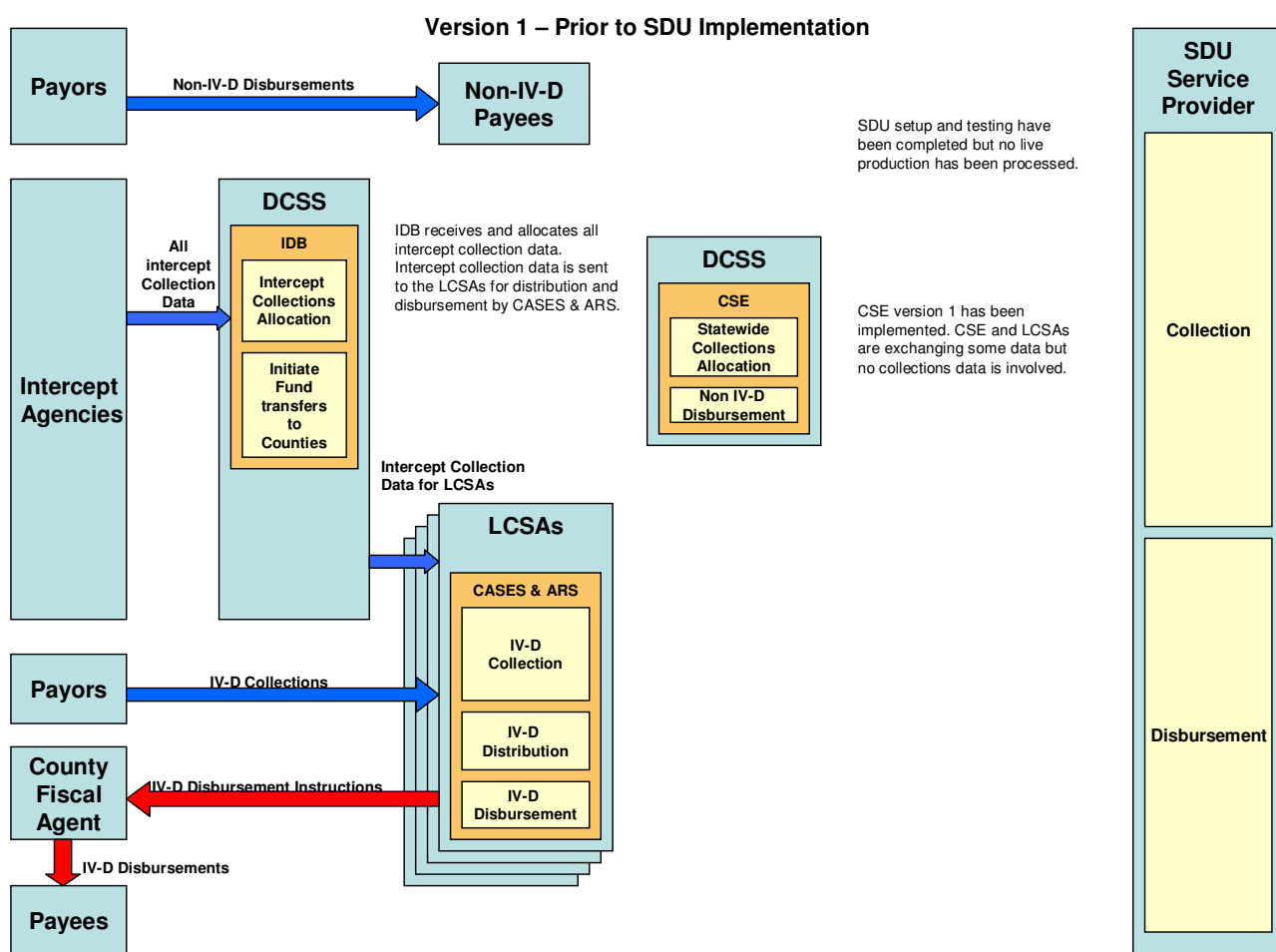


Figure 4-19 Version 1 – Prior to SDU Implementation

Implementation of the SDU begins after the SDU ORAR with phasing in employers for Non IV-D collections and disbursements. During this phase, Non IV-D collections from targeted employers are redirected to the SDU. The CSE processes Non IV-D collections data and issues Non IV-D disbursement instructions to the SDU. The SDU issues disbursements to the Non IV-D payees and provides disbursement activity data back to the CSE. During this phase there is no interaction between SDU and the LCSAs. All LCSA(s) continue operating as previously described. IDB continues to receive and allocate all intercept collection data and sends the data to the LCSAs for distribution and disbursement by ARS/CASES.

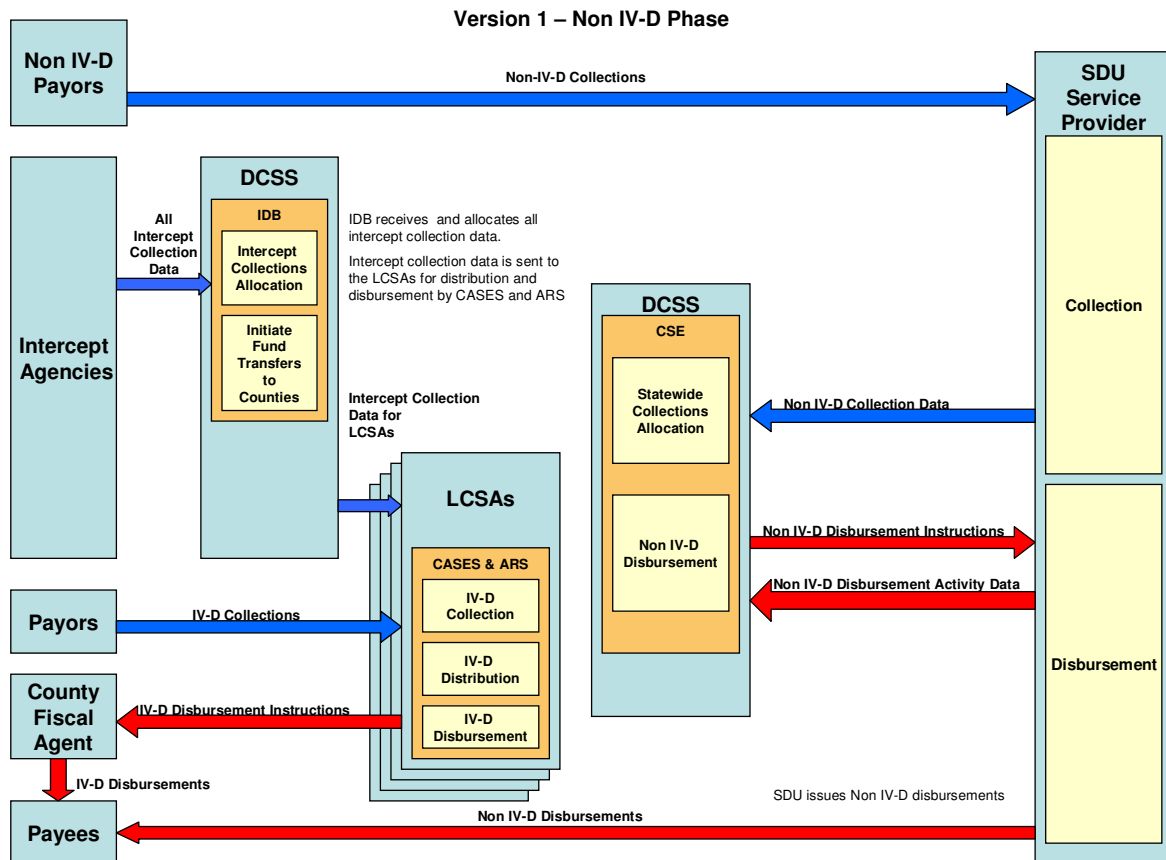


Figure 4-20 Version 1 – Non IV-D Phase

With a successful phasing in of targeted employers for Non IV-D, additional Non IV-D employers are phased in followed by a IV-D phasing in of LCSAs transitioned from local collections and disbursement processing to the SDU. SDU operations for Non IV-D remains the same. SDU operations for IV-D transitioned LCSAs includes processing of IV-D collections and disbursements, including IDB intercepts. IV-D payments processed by the SDU from transitioned LCSAs are allocated by CSE across other LCSA transitioned cases. These IV-D payments processed by the SDU are not allocated across non-transitioned LCSA cases or across Non IV-D cases. For transitioned LCSAs, IDB aggregates Non-IRS intercept collection data for each NCP while it continues to allocate IRS intercept collection data. IDB sends all intercept collection data to the SDU for forwarding to CSE. The CSE does not re-allocate the IRS intercept collections already allocated by the IDB. All intercept requests continue to go to IDB. The CSE sends all IV-D allocated collection data to the transitioned LCSAs. The transitioned LCSAs distribute the IV-D collections and issue IV-D disbursement instructions to the SDU. The SDU issues disbursements to the IV-D payees and provides disbursement activity data to the transitioned LCSA(s). Operations for non-transitioned LCSAs, remains the same. Some LCSAs may present processing requirements that were not present in the initial phase. For example the initial phase may not have involved EFT payments.

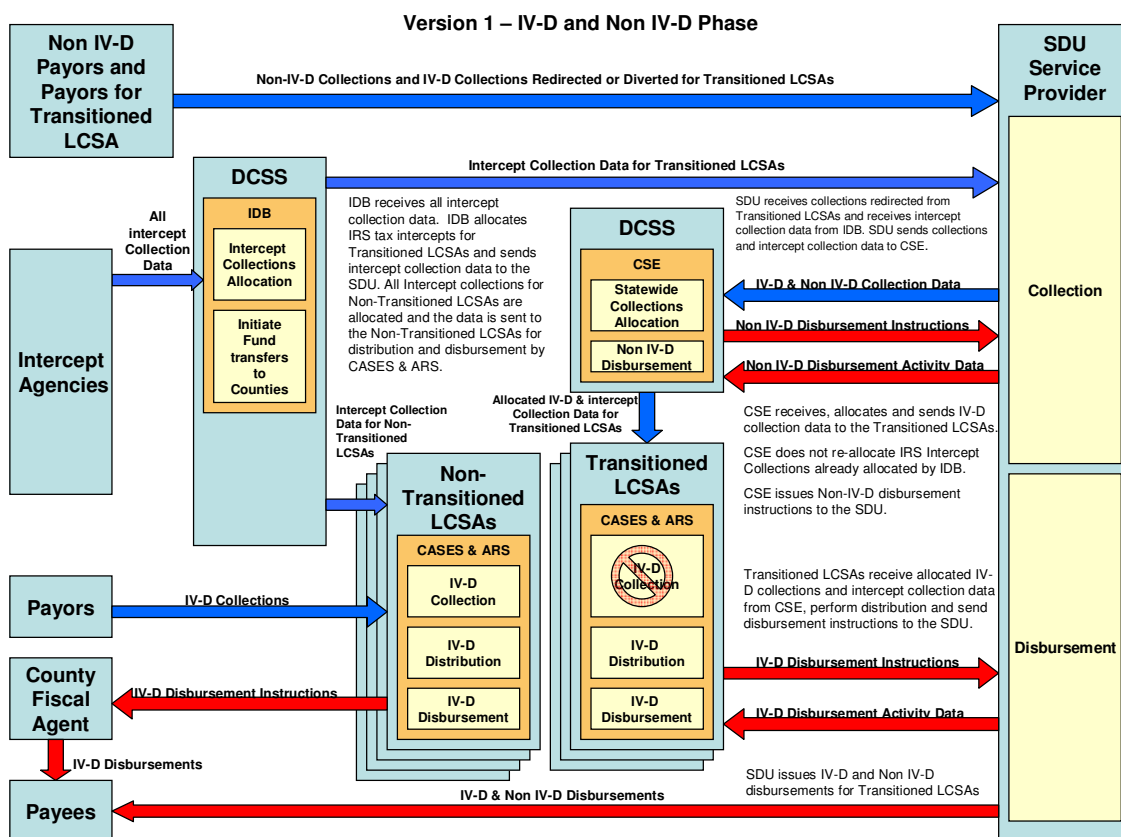


Figure 4-21 Version 1 – IV-D and Non IV-D Phase

Figure 4-22 shows a full statewide Version 1 SDU implementation. All Non IV-D payments have been transitioned to the SDU for collections and disbursements. No LCSAs are processing collections or disbursements locally. All LCSAs have been transitioned to receiving collection data from the CSE and issuing disbursement instructions to the SDU. The IDB continues to receive all intercept collections data but allocates only IRS intercepts. The SDU receives and processes all Non IV-D collections and IV-D collections including all intercept collection data, and provides the data to the CSE.

The CSE allocates IV-D collections against all LCSA cases, but does not re-allocate IRS intercept collection data already allocated by the IDB. Only IV-D cases are allocated.

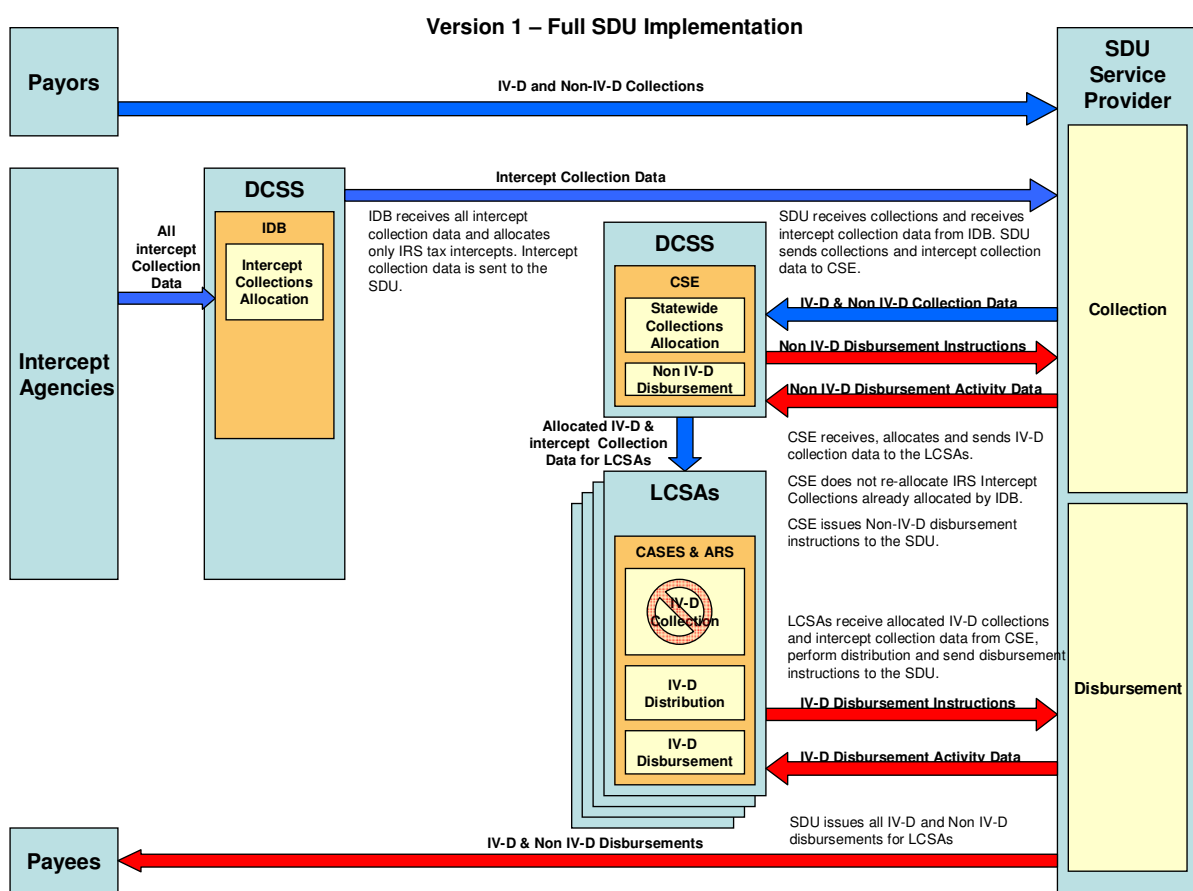


Figure 4-22 Version 1 – Full SDU Implementation

Implementation of Version 2 involves transitioning LCSAs from relying on the consortia systems (ARS and CASES) to perform IV-D distribution, initiate disbursement instructions and other processing actions to relying on the CSE. Figure 4-23 depicts operations during this implementation period.

When an LCSA is transitioned, the CSE will cease exchanging data with the consortia system for that LCSA's workloads. The SDU will also cease exchanging disbursement instructions and disbursement activity data with the consortia system and begin exchanging data for that LCSA's workload with the CSE. For non-transitioned LCSAs, existing data exchanges between the consortia systems and the CSE or the SDU will continue unaffected and will continue to correlate to the non-transitioned LCSA's workloads. Initially, four (4) LCSAs will be transitioned to CSE. At the same time 54 LCSAs will continue to rely on the consortia systems (ARS and CASES) to distribute collections and interface with the CSE and the SDU.

The IDB continues to receive all intercept collections data. The CSE does not re-allocate the IRS intercept collections data.

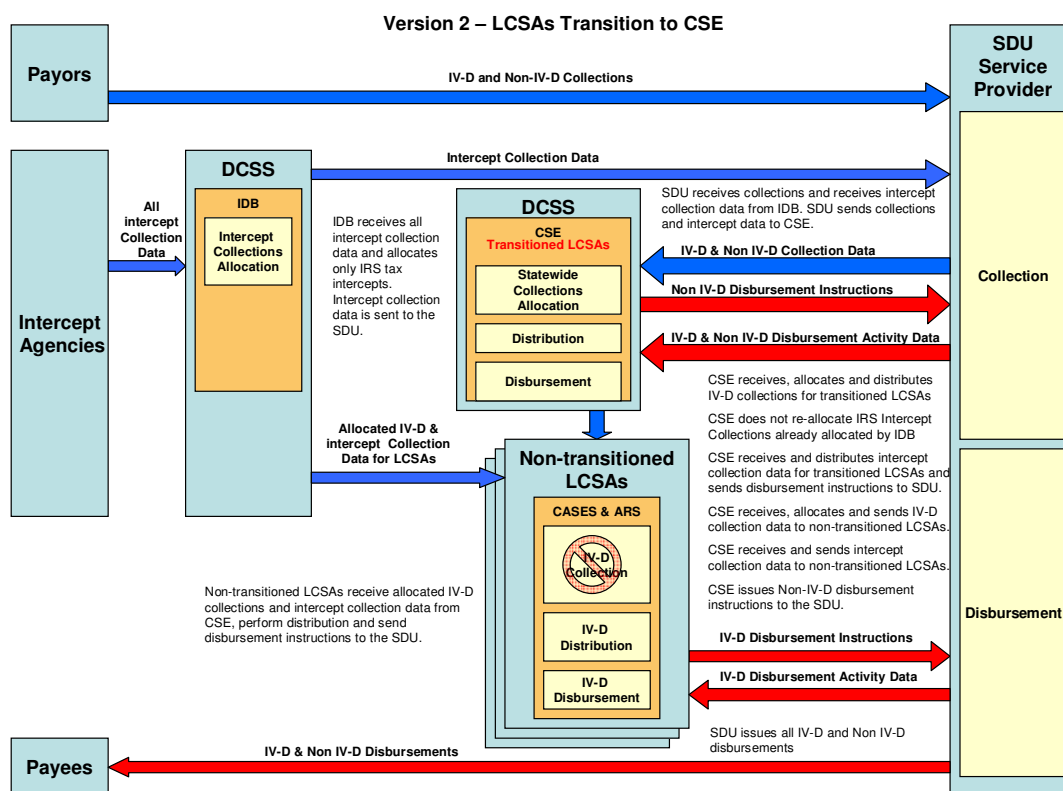


Figure 4-23 Version 2 – LCSAs Transition to CSE

Figure 4-24 illustrates full Version 2 implementation of all LCSAs. The LCSAs no longer utilize consortia systems. All operations are performed by the SDU and CSE. The IDB operations have been fully integrated into the CSE.

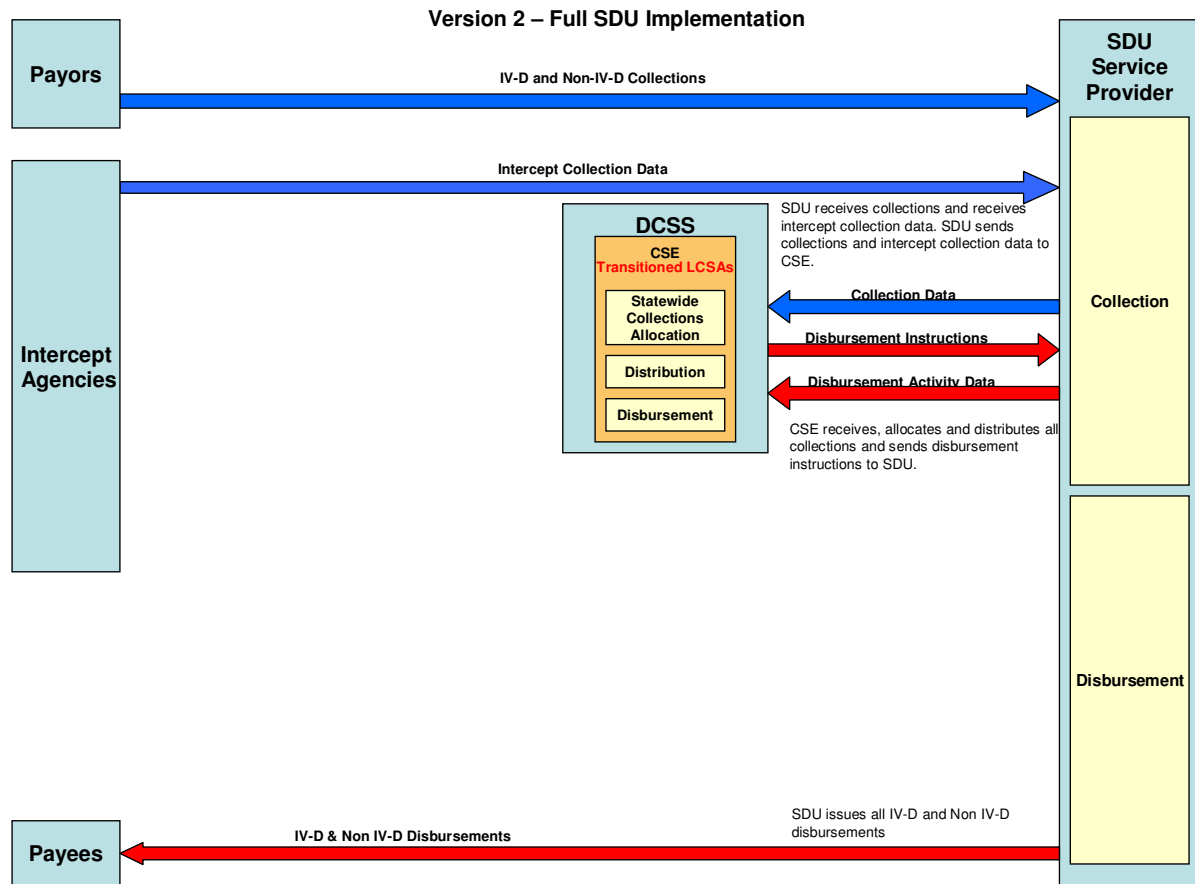


Figure 4-24 Version 2 – Full Implementation

4.5.3 CCSAS Version 2 Implementation Activities

This section describes the activities anticipated to implement CCSAS. It identifies major CSE project milestones and describes their correlation to the SDU implementation timeline. SDU requirements specify SDU SP participation in critical CSE events, such as technical reviews and interface definition and design. These requirements are more particularly described in the RFP Section 4.7 Implementation Management and the RFP Section 6 SDU Statements of Work.

CCSAS implementation includes the release of two versions of the CSE System and SDU services. Figure 4-25 and 4-26 identify specific Version 1 and Version 2 implementation milestones concerning selected requirements described within RFP Section 6 and Exhibit 6A. Essentially, the SDU must be prepared to implement in accordance with the CCSAS Project Schedule as of the date the SDU Services Agreement is executed.

Figure 4-25 depicts the high-level CCSAS implementation timeline. Figure 4-26 is intended to illustrate the relationship between the State, CSE and SDU for selected activities and deliverables. The figure is based on many assumptions. Please note that the SDU requirements are controlling with regard to due dates for services and deliverables. Due to the timing of the CSE and SDU procurements, Version 1 activities affecting the SDU are completed prior to SDU contract award. These include development of the interface definition documents such as the SDU Integration Plan, CSE/SDU Interface Design Description (IDD) and the CASES and ARS Functional Requirements Design Descriptions (FRDD). The documents include the CSE Master Test Plan and the Business Process Transition Plan. The Business Process Transition Plan encompasses:

- 1) Transition of financial functions currently performed by the LCSAs and the county auditor/controllers to the centralized approach for collecting, allocating and disbursing child support payments, including updates to existing procedures for handling payment exceptions
- 2) Approach to transitioning LCSAs to the Version 1 CSE and “turning on” the SDU such that disruption in service is minimized
- 3) Outreach activities to employers, CPs, NCPs, Non IV-D population and other affected parties

To the extent that there are any inconsistencies between the RFP and various CSE deliverables mentioned above, due dates described in the RFP shall prevail.

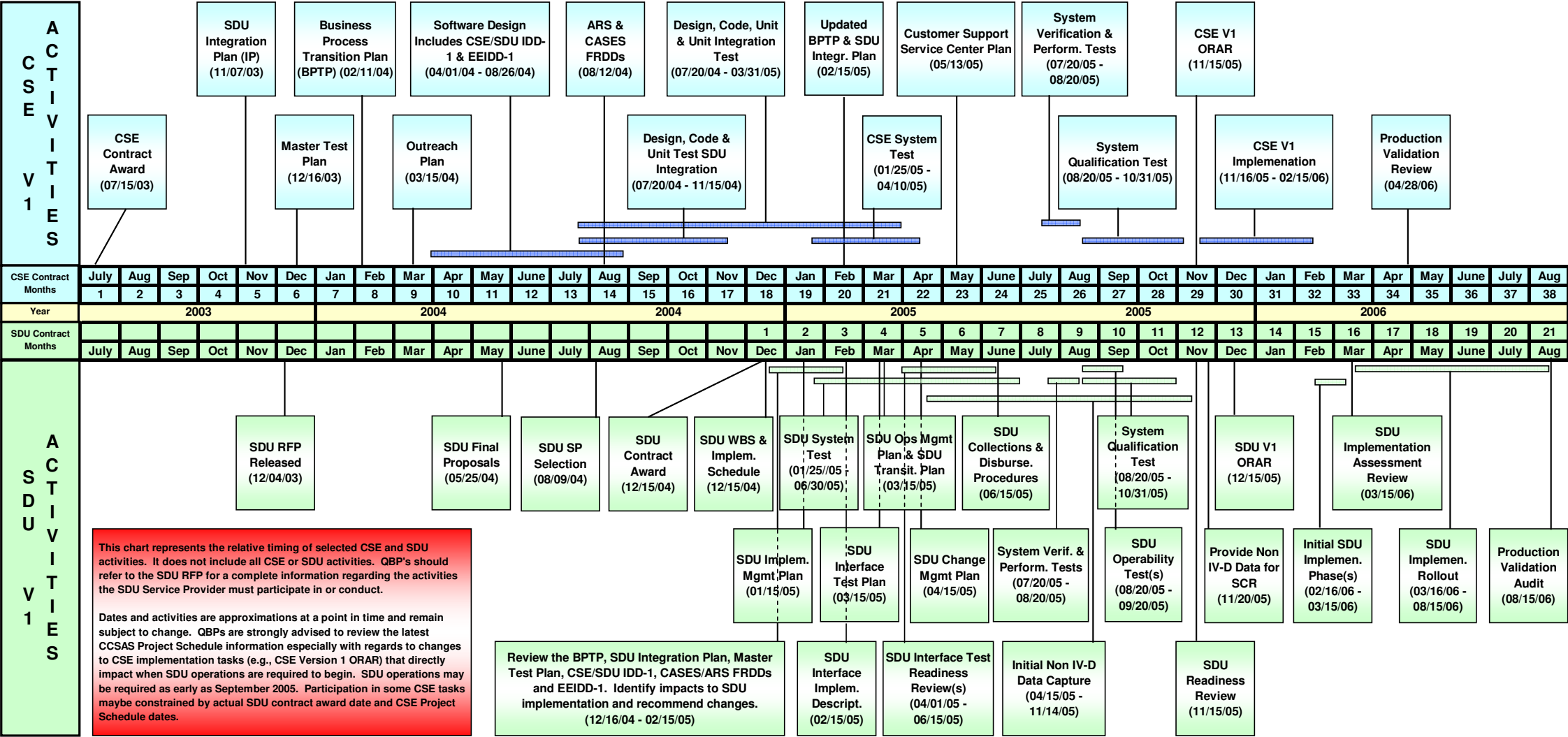


Figure 4-25 Version 1 – Activities Roadmap

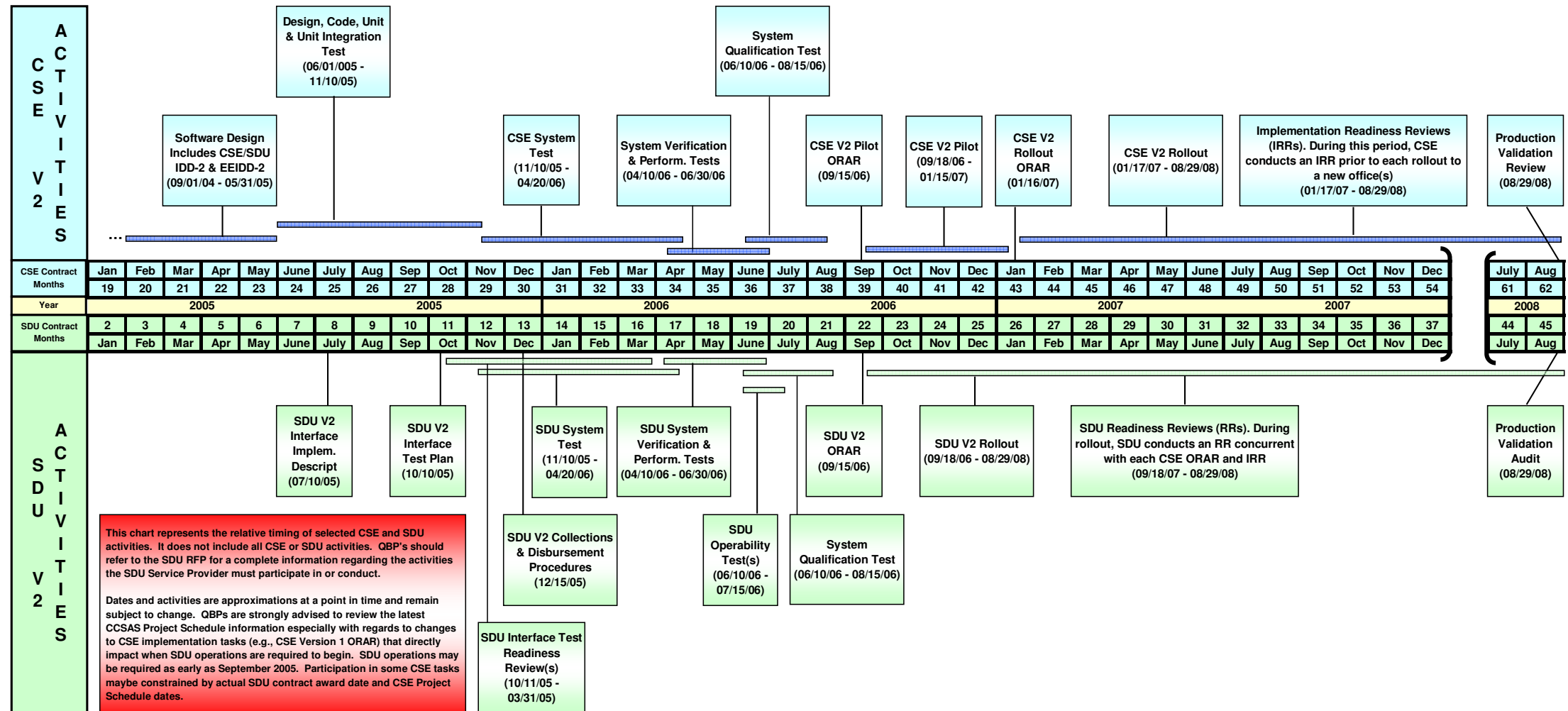


Figure 4-26 Version 2 – Activities Roadmap

At SDU contract start, the SDU SP reviews CSE work-in-progress and recommends updates to delivered plans and interface documents to assure consistency with SDU implementation and operational approaches. Testing is conducted with the State and the CSE system prior to implementation of Version 1 to demonstrate that the SDU meets data exchange requirements and is ready to support operations. The SDU SP conducts an operability test(s) to verify operational processes and procedures and an interface test(s) to verify the ability to exchange data with external entities such as CSE and financial institutions. The SDU SP conducts an SDU Interface Test Readiness Review (SITRR) prior to each interface test to demonstrate that work-to-date is sufficient to allow the test to proceed.

The SDU SP also participates in the CSE System Test, CSE System Verification Test Readiness Review (SVTRR), the CSE System Verification Test and the State's System Qualification Test. SDU participation in these reviews and tests demonstrates that CCSAS CSE and SDU components are successfully integrated and mitigates the risk of service disruption due to the implementation of Version 1.

4.5.3.1 Non IV-D Data Capture

The SP shall capture all Non IV-D wage withholding order and support order information required to carry out the processing of Non IV-D collections and disbursements by the State and SDU. The SP shall provide the Non IV-D information to the CSE. Thereafter, the SDU SP will continue updating Non IV-D wage withholding order information and the ongoing data capture of wage withholding orders and support orders received.

This effort includes contacting employers and Non IV-D custodial parties and/or the courts to obtain the required information. The SDU SP shall be responsible for printing and mailing notices to Non IV-D CPs and NCPs during Version 1 when the wage withholding order is entered. This information will include the case/order IDs and procedures for obtaining customer service. Additionally, the SP shall print and mail information to Non IV-D CPs and NCPs to support the Non IV-D Customer Service Center functions during V1.

4.5.3.2 Version 1

During Version 1, the CSE BP conducts an Implementation Readiness Review (IRR) prior to converting LCSAs to the CASES consortium. The SDU SP is not required to attend or participate in CSE Version 1 IRRs.

When testing is complete and all LCSAs are converted to CASES, the CSE BP conducts a Version 1 Operational Readiness Assessment and Review (ORAR) to demonstrate CSE Version 1 readiness to be released into production. The SDU SP attends this review to provide the SDU perspective to the State and obtain information regarding CSE Version 1 implementation. The State expects that all SDU testing, including interface testing with the CSE and ARS and CASES consortia, will be complete by the time of the CSE Version 1 ORAR. An SDU Version 1 Readiness

Review (RR) is conducted in conjunction with the CSE Version 1 ORAR to verify SDU operations are ready and compatible with CSE. With a CSE production go-ahead decision by the State, the CSE BP implements the CSE portion of Version 1.

After the SDU Readiness Review and prior to operational cutover of SDU Version 1, the SDU SP conducts a Version 1 SDU Operational Readiness and Assessment Review (SDU ORAR) to demonstrate SDU operations, facilities and staffing are ready for implementation. With an operations go-ahead decision by the State, the CSE BP and SDU SP transition collection and disbursement functions to the SDU and CSE in accordance with the approach and timing determined in the CSE Business Process Transition Plan and the CSE SDU Integration Plan.

4.5.3.3 Version 2

For Version 2, the CSE/SDU Interface Design Description, and the tests performed for Version 1 are repeated. CSE readiness to implement Version 2 is demonstrated using two types of technical reviews: Version 2 ORARs and Version 2 Implementation Readiness Reviews (IRRs). The ORARs demonstrate readiness to release the CSE application into production while the IRRs demonstrate readiness to convert LCSA data and cutover to production. There are multiple reviews because LCSAs are converted to CSE over time. The SDU SP participates in the CSE Version 2 Pilot ORAR and Version 2 Rollout ORAR to provide information and conducts a corresponding SDU RR and Version 2 Pilot ORAR to verify SDU readiness. In addition, the SDU SP participates in each CSE IRR to provide information and conducts a concurrent SDU RR to verify SDU readiness to support each specific state of converting LCSAs from consortia to CSE Version 2. Each time a specific LCSA is converted, the SDU must shift the exchange of disbursement instructions and disbursement status data from the consortia to CSE Version 2. For example, the SDU conducts a Version 2 RR to demonstrate readiness to accept disbursement instructions from CSE Version 2 and stop accepting disbursement instructions from a particular consortium (ARS or CASES) for a particular LCSA (e.g. Sacramento). The SDU conducts a Version 2 SDU ORAR to demonstrate operations, facilities and staffing are ready for implementation.

4.5.3.4 Version 1 and Version 2

To assess the degree of compliance with requirements, such as federal certification requirements, the State conducts an SDU Production Validation Audit (PVA) for Version 1 and Version 2. The PVA is a particular type of State audit and does not preclude the State from conducting other types of audits, such as financial audits. The State conducts the Version 1 PVA concurrent with the State's acceptance of the Version 1 CSE, referred to as the CSE Version 1 Production Validation Review (PVR). The State conducts the SDU Version 2 PVA just prior to requesting federal certification of CCSAS. The purpose of the Version 2 SDU PVA includes, but is not limited to, verification that the SDU meets federal certification requirements. The State will conduct the CSE Version 2 PVR upon full implementation of the Version 2 CSE and after obtaining federal certification.

4.5.4 Contract Closeout

This section describes the documentation required for contract closeout in the event that the State 1). does not exercise one or both of it's one year extensions or 2). the State does not procure the SP's services for a successor contract.

Closeout documentation will be required such as support schedules, SP developed technical documentation, performance reports, financial documents (such as invoices and payment records), results of any contract related inspections, and results of any outstanding audits.

A Turnover Activity Completion Report will be required 30 days prior to expiration of the contract. Final compensation is contingent on the State acceptance of this deliverable.

4.6 Description of SDU Services

This section describes the required SDU services contained in RFP Section 6 SDU Statements of Work (SOW). The SDU SOW defines the services necessary to implement a federally certified SDU, comply with State regulations, and effectively address the Business Problems defined by the CSP. The SDU SOW:

- 1) Establishes a single location for processing child support payments.
- 2) Requires payment processing in a manner that meets federal and State law, policies, procedures, and methods for timely, secure, and confidential processing of member data and payments.
- 3) Requires timely disbursement of child support payments to custodial parties or authorized agents.
- 4) Requires CSE be provided with electronic data concerning collection and disbursement services performed, actions taken, and status of operations in a manner that is technically and functionally compatible with the CSE system, and enables the State to furnish to any custodial party or non-custodial parent, upon request, information about payments received and disbursed by the SDU.

The SDU SOW is organized into four categories and defines specific SDU services related to solving the five Business Problems. Service categories, correlated to the Business Problems, are shown in Table 4-5.

Table 4-5 SDU Services and Related Business Problem

SDU Service Requirement	Related Business Problem
Implementation Management	Implementation
Operations Management	Certification, Worker Effectiveness, Maintainability
Collection	Certification, Worker Effectiveness, Customer Service
Disbursement	Certification, Worker Effectiveness, Customer Service

CCSAS project staff prepared the SDU SOW using the sources listed below:

- 1) Action Transmittal 97-13 (AT-97-13)
- 2) Automated Systems for Child Support Enforcement: A Guide to States 8/2000
- 3) California Government Code
- 4) Code of Federal Regulations, Title 45 Parts 300 to 310 and Parts 74 and 95
- 5) California State Administrative Manual (SAM)
- 6) Dear Colleague Letter (DCL) 03-17 Guide for Auditing State Disbursement Units
- 7) California Manual of Policies and Procedures: Administrative Standards for State IV-D Agency
- 8) Rehabilitation Act Section 508

- 9) Special Postal Bulletin 21984A
- 10) CSE Contract
- 11) CCSAS Project Charter
- 12) Industry standards such as the Project Management Body of Knowledge
- 13) State Constitution

These sources represent federal and state policy, regulation and statute and best practices from other states. Certain requirements were derived from the CSE contract, California CSP needs, and industry standards. These requirements are cited to the CCSAS Project Charter to demonstrate consistency with CCSAS project goals and CSP business needs. Specific source(s) for each requirement are identified in RFP Section 6 SDU Statements of Work

The SDU SOW consists of individual requirement statements in each of the four categories and the RFP Exhibit 6A Contract Deliverables List (CDL). For each contract deliverable referenced, the CDL specifies the deliverable name, identifier, requirement statement reference, delivery date(s), state acceptance process and timeframes, and the required format and content. Unique identifiers for the requirement statements and the deliverables allow for traceability between the requirement and its associated deliverable, if any. The identifiers begin with a two-letter code related to the category.

- 1) IM: Implementation Management
- 2) OM: Operations Management
- 3) CO: Collection
- 4) DB: Disbursement

The following subsections describe the purpose and scope of each requirement category and the key sources used to develop the Statements of Work.

4.7 Implementation Management

Implementation Management specifies requirements related to coordinating the implementation of the SDU with the implementation of the CSE so that there is minimal disruption to CSP services during CCSAS roll-out. To assure consistency with the CSE solution and the CCSAS Project Charter goals and strategies, Implementation Management requirements address participation in State project management processes and the SDU role in defining and testing data exchange requirements with external entities. Implementation Management requirements are organized into four subcategories:

- 1) IM 1.0: General Implementation Management
- 2) IM 2.0: Contract Performance Management
- 3) IM 3.0: Integration Management
- 4) IM 4.0: Turnover Management

General Implementation Management defines requirements for SDU participation in business process transition planning and the federal certification process. The SDU is a

key component of CCSAS and a required element for certification. The State recognizes the importance of certification and the integral role the SDU SP will play in attaining that certification. The SDU SP supports the certification process by participating in planning activities, providing necessary materials, and responding to problems.

Contract Performance Management specifies requirements for SDU SP participation in CCSAS management processes such as schedule, issue and risk management and requirements for providing status of SDU activities. It also includes requirements for cooperating with audits and reviews. Contract Performance Management requirements seek to align the SDU SP organization with the CCSAS organization such that management processes are consistent, repeatable, and predictable and support an integrated approach to solving the CSP Business Problems.

Integration Management defines requirements for defining, documenting and testing interfaces with external entities to collect and disburse Child Support monies, to include participating in development of the CSE/SDU Interface Design Description and preparing the External Entity Interface Implementation Description. It includes requirements for conducting SDU readiness reviews and participating in CSE technical reviews. Reviews are used as decision points to provide assurances to the State that work-to-date is sufficient to proceed and disruption to CSP services will be minimized.

Turnover Management defines requirements for transitioning SDU operations to a subsequent Service Provider. These requirements include planning transition activities and reporting the results of these activities. Turnover Management requirements provide for an orderly transition of operational responsibilities such that disruption to CSP services will be minimized.

4.8 Operations Management

Operations Management specifies requirements related to managing SDU daily operations and assuring internal controls are in place to safeguard CSP financial assets. Internal controls include separation of duties, training on data confidentiality and security mechanisms to control access to data and negotiable instruments. Operations Management requirements also establish system management, problem reporting, and change control processes that support system maintainability. Operations Management requirements are primarily defined from:

- 1) DHHS/ACF Automated Systems for Child Support: A Guide for States
- 2) AT 97-13
- 3) Guide for Auditing State Disbursement Units (DCL 02-06)
- 4) DCL 03-17 and Guide for Auditing State Disbursement Units, June 2003
- 5) State Administrative Manual, Section 4800

Operations Management requirements are organized into seven subcategories:

- 1) OM 1.0: General Operations Management
- 2) OM 2.0: Personnel, Staffing and Training
- 3) OM 3.0: Financial Audits and Quality Assurance
- 4) OM 4.0: Systems Management
- 5) OM 5.0: Facilities and Physical Security
- 6) OM 6.0: Problem Resolution and Change Control
- 7) OM 7.0: Operations Service Level Objectives

General Operations Management defines the plans that will be developed and used by the SP to manage SDU operations, the standards required for certification, and the preferred approach for conducting financial transactions.

Personnel, Staffing and Training defines the internal controls related to the segregation of duties. Control requirements are derived from the Guide for Auditing State Disbursement Units, Generally Accepted Accounting Principles (GAAP) and Generally Accepted Auditing Standards (GAAS). Training requirements describe the minimum initial and annual refresher training that the SP staff must complete regarding data confidentiality, and the legal consequences that could result from an unauthorized disclosure. Personnel, Staffing and Training requirements allow the CSP to meet its federal mandate to monitor, account for and control child support funds and implement State policy for ensuring compliance with privacy and disclosure laws.

Financial Audits and Quality Assurance specifies requirements to permit an independent, objective examination of SP records, documents, systems, processes, and procedures to ensure the State's fiduciary responsibilities to the CSP are met. The State Controller's Office (SCO) has a constitutional responsibility to superintend the fiscal concerns of the State. The SCO has a responsibility to audit all claims against the State and the disbursement of any State money for correctness and legality. The SCO is responsible for the payment of money from the State Treasury via duly drawn Controller's warrants (Government Codes 12410 and 12440). Therefore, the SCO will participate in the planning and integration of State Disbursement Unit (SDU) services. The SCO will audit the reimbursement claim, and the individual payments funded by the claim. Audits will be conducted in accordance with the American Institute of Certified Public Accountants (AICPA), Generally Accepted Auditing Standards (GAAS). Additionally, the SP is required to periodically self-audit and share findings with the State. Quality Assurance refers to SP activities performed to monitor and assess operational processes to objectively evaluate the quality and appropriateness of services performed and determines opportunities for improvement. Specifically, they will be based on the Auditing Standards Board, Statements on Auditing Standards (SAS) in accordance with all SASs including but not limited to SAS 55, SAS 60, SAS 78, and SAS 82.

Systems Management defines requirements for the implementation, operation, maintenance, and management of electronic and information technology used to perform SDU services. These requirements address the standards and protocols for accurate and appropriate electronic transmission, process, update, storage, access,

and management of data, including scheduled destruction. These requirements are directly linked to federal certification requirements as well as industry best practices for system and risk management.

Facilities and Physical Security requirements specify the location of a secure, dedicated SDU facility such that the State has convenient access for oversight of SDU implementation and operational processes. Physical security requirements serve to prevent unauthorized data access, theft, misuse, or destruction of data or materials, and prescribe measures to detect and mitigate occurrences of security incidences.

Problem Resolution and Change Control defines requirements for assuring that changes to the SDU infrastructure are implemented in a controlled manner so that disruption to CSP customers is minimized. Requirements include conducting impact analysis on changes to SDU services, reporting and resolving problems, and communicating proposed changes to the State. The SDU SP will also participate in State change control processes so that changes affecting the CSE and SDU are managed. Problem Resolution and Change Control also includes requirements for Help Desk and Non IV-D Customer Service.

4.9 Collection

Collection specifies requirements related to the processing of child support collections and establishes service level objectives for timely, effective and efficient collections processes. Collection requirements are primarily defined from:

- 1) DHHS/ACF Automated Systems for Child Support: A Guide for States
- 2) AT 97-13
- 3) Guide for Auditing State Disbursement Units (DCL 02-06)
- 4) DCL 03-17 and Guide for Auditing State Disbursement Units, June 2003

The Guide for States and AT 97-13 direct the State to establish a single point of collection for child support payments ordered within California, including Non IV-D wage assignment payments. The Guide for Auditing State Disbursement Units outlines the minimum acceptable standards for managing data and assigning responsibilities. Timely completion of collection activities enables the State to meet federal performance measures and obtain certification.

Collection requirements are organized into two subcategories:

- 1) CO 1.0: Collection Services
- 2) CO 2.0: Collection Service Level Objectives

Collection Services defines requirements for mail processing, including retrieval, opening, receipting, sorting, batching, data capture, and preparing and making bank deposits including Non IV-D wage assignment payments stemming from orders issued since January 1, 1994. DCSS has adopted a policy of accepting all Non IV-D wage

assignment payments regardless of the original date of the underlying order. It establishes points of reconciliation within the collection process so that process integrity can be assessed and maintained. These points of reconciliation reflect State assumptions about operational workflow and identify reports by type and frequency for verifying the accuracy of mail processing, deposits, and data transmissions between CSE and banking institutions. Collection Services also defines requirements for the electronic exchange of collection data between SDU and other entities or automated systems.

Collection Service Level Objectives (SLOs) define measurable performance levels for timeliness and accuracy. Collection SLOs include timeframes for depositing payments and acceptable error rates for data capture.

4.10 Disbursement

Disbursement specifies requirements related to the processing of disbursement instructions and establishes service level objectives for timely, effective and efficient disbursement processes. Disbursement requirements are primarily defined from the same sources as those used for Collection requirements. The Guide for States and AT 97-13 requires the State to disburse payments within two business days of receipt. To meet this timeframe, the SDU SP must execute disbursement instructions from the CSE, ARS and CASES within the defined timeframe. Timely completion of disbursement activities will ensure that the State is able to meet federal performance measures and obtain certification.

Disbursement requirements are organized into two subcategories:

- 1) DB 1.0: Disbursement Services
- 2) DB 2.0: Disbursement Service Level Objectives

Disbursement Services refers to the dissemination of child support payments electronically or by check to members or government agencies based on instructions provided by the CSE.¹⁹ It establishes points of reconciliation within the disbursement process to include verifying the accuracy of disbursements against instructions and data transmissions with banking institutions. Disbursement Services also defines requirements for the electronic exchange of disbursement data between SDU and other entities or automated systems.

Disbursement Service Level Objectives specify measurable performance levels for timeliness and accuracy. Disbursement SLOs include timeframes for making disbursements and transmitting disbursement status data.

¹⁹ In Version 1 these instructions come from the ARS and CASES consortia for IV-D members and from CSE Version 1 for Non IV-D members and in Version 2 from the statewide CSE.